

The complaint

Mr D complains that HSBC UK Bank Plc (as the recipient bank) didn't do enough to prevent him losing money to a scam.

What happened

The detailed background to this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here. In 2020 Mr D says he was the victim of a scam. He was introduced to an 'investment opportunity' with an individual who he believed was in the early stages of setting up a hedge fund.

Mr D says he was shown evidence that this individual was making the 10% monthly returns he said he could achieve. He decided to invest and as a result made payments of nearly £450,000 from his account with his own bank 'B' to the account details he was given. The payments took place between April 2020 and November 2021. The payments relevant to this complaint are those which arrived in two different HSBC accounts as I'll set out below.

Date	Beneficiary Account	Amount
5 August 2021	K	£30,000
13 October 2021	K	£30,000
14 October 2021	K	£9,000
14 October 2021	K	£2,000
22 October 2021	T	£15,000
8 November 2021	K	£5,000

Mr D says when he tried to make a withdrawal from his 'investment' he found he was unable to. He says he learned the individual he was investing with didn't have a real investment account and he believes he's been scammed.

Mr D complained to HSBC.

HSBC responded to the complaint and in summary said there was no bank error. They didn't offer any redress. The matter was referred to our service and one of our Investigators didn't recommend that it should be upheld.

Mr D disagreed and asked for an Ombudsman to review his complaint. In April 2025 I issued a provisional decision, part of which said:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

...My intended findings on what I can look into are different to what our Investigator said. So, it's appropriate that I first issue this provisional decision to set out my thoughts and to provide both sides with a further opportunity to comment."

I then set out that (within our jurisdiction) I was only able to consider HSBC's actions on or after 31 January 2019. Before continuing with:

"I'll deal with each of the accounts Mr D paid in turn, starting with account 'K'.

The Lending Standards Board's Contingent Reimbursement Model (CRM Code) is a relevant consideration for this complaint. The CRM Code requires firms to "take reasonable steps to prevent accounts from being used to launder the proceeds of APP scams. This should include procedures to prevent, detect and respond to the receipt of funds from APP scams..." (SF2).

I've reviewed the prior account activity and I can see that in 2020 there was a significant change to the way in which this account was being run. The sums being received into the account markedly increased compared to how the account had previously operated. HSBC should monitor the accounts they provide with a view to preventing fraud, scams and the misappropriation of funds. And they should also conduct ongoing due diligence where appropriate. And I think that such a significant change in the way in which the account was being utilised should have prompted a review by HSBC. But any failure in this regard needs to have made a material difference to preventing the APP scam for me to fairly and reasonably direct HSBC to refund the loss.

I don't think any level of intervention that could reasonably have been expected would've resulted in discovery of the scam or the prevention of further loss to Mr D. I say this because there is evidence to show that when scam reports were later made, HSBC did question this account holder who explained that he had been making payments on behalf of someone else who was having issues with their own banking. And on balance, it's most likely he would have said the same or very similar if asked about the activity at an earlier time. If HSBC weren't happy with the account holder utilising the account in this way, or if it wasn't in line with the terms and conditions, then it's possible they may have sought to close this account. But I don't think, based on the information that would've been available to them at the time, HSBC would've had enough where they reasonably should have concluded that a scam was taking place. I've also taken account of the fact that at the relevant time the main perpetrator of the scam had access to more than one account with other banks. And if HSBC had closed account K, it's most likely that Mr D would have been directed to pay different accounts instead and wouldn't have ended up in a meaningfully different position.

I've next moved on to consider HSBC's actions in relation to the payment made to account 'T'. I've reviewed the previous activity for account T. Throughout 2019, the amounts received in the account weren't particularly consistent. For example in January 2019 the account received around £22,000 into it, and in November the same year, only around £500. As we move into 2020, between January and April the account received a total of around £26,000.

But in May 2020, there was a marked increase in the sums passing through the account. Over May, June and July 2020 over £200,000 went through the account. This represented a significant increase in value and was a change to the way in which it had previously operated.

As I've covered above, HSBC should monitor the accounts they provide with a view to preventing fraud, scams and the misappropriation of funds. And they should also conduct ongoing due diligence where appropriate. And I think that such a significant change in the way in which the account was being utilised should have prompted a review by HSBC. During this period there were clearly significant amounts credited to the account. And none of them appear to have come from regular employment or similar, they primarily appear to be payments from the account holder's own account with another bank.

And given the significant amounts moving through the account, set against HSBC's account monitoring obligations, I'd reasonably have expected their review to have involved asking their accountholder about the source of the incoming funds, what they were intending to use them for and to evidence the same. The statements from the account that was commonly being used to credit the HSBC account would've shown that significant amounts were being received from various individuals with references such as 'Investment', 'Forex Trading', and 'contract'. So it would've been apparent that payments were being taken for business purposes, most likely investments of some sort. But the way in which these funds were being spent from the HSBC account, wouldn't have supported that they were being invested or similar. And there is no evidence to support that the accountholder would've been able to evidence that they were investing the funds they were receiving.

By this point, I think there would've been enough for HSBC to have had serious concerns that the account was being misused. The net result of the steps I'd reasonably have expected from HSBC at this point would've prevented the further continuation of the scam. So bringing all this together and linking it to Mr D's payment to this account, that took place later in October 2021, I think HSBC failed with regard to the expectations on firms under the CRM Code. Had HSBC appropriately monitored the account and acted upon this, I think this would've prevented Mr D's loss relating to the payment he made to account T. So I think it's fair and reasonable for HSBC to pay redress under the CRM code for this payment.

I'm aware that Mr D has also complained to his own bank, 'B' about the payments relevant to this complaint and I'm also considering that complaint. The CRM code allows firms to reduce any amount they might have to pay if the customer didn't have a "reasonable basis for believing that...the person or business with whom they transacted with was legitimate." And here, whilst Mr D was introduced to the 'investment' by a friend it promised a 10% monthly return with no downside risk. Almost all investments include some element of risk, and it's highly unusual for such a huge return to be risk free. The 'opportunity' seems too good to be true. The payment was also made to a personal account, rather than a business of any sort. I think there were enough red flags here that Mr D wouldn't have had a reasonable basis for believing this to be genuine.

For Mr D's linked complaint about B, I'm intending to find that B has also failed against its expectations under the CRM Code. And as above, I'm intending to find that Mr D didn't have a reasonable basis to believe his payments were for a legitimate purpose. In these circumstances, the CRM Code sets out that the complainant should receive a total refund of 66%, with the sending bank responsible for 33%, the receiving bank for 33% and Mr D responsible for the remainder.

With this in mind, I would normally intend to direct HSBC to pay Mr D 33% of the payment he made to account T in October 2021. But as I'm aware B have already paid him 50% of this amount (plus interest) then I'm only intending to require HSBC to pay Mr D the outstanding 16% of that payment. And as Mr D has been without the use of funds he otherwise would've had, I intend to direct that 8% simple interest be added. This should be calculated between the date of loss and the date of settlement.

For completeness, by the time HSBC were on notice of the problem with Mr D's payments, none of his funds remained to be returned. So I don't think there were any failings in that regard.

My provisional decision

For the reasons outlined above, but subject to any further information I receive from either Mr D or HSBC... I'm intending to uphold this complaint in part.

I intend to direct HSBC UK Bank Plc to pay Mr D 33% of the £15,000 he credited to account T in October 2021. 8% simple interest should be added to this amount to be calculated between the date of loss and the date of settlement.”

HSBC responded to my provisional decision and said that as a gesture of goodwill they would agree to pay the proposed redress. Mr D responded with some further comments which I'll address below.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

The crux of Mr D's response is that he thinks he should receive 100% reimbursement. Mr D reiterated that he was in contact with many investors and knew some of them were receiving returns. He also highlighted how some of his long-standing acquaintances had received money from the 'investment'. He also says that K had shared evidence of payments being made. Mr D has submitted some spreadsheets of the returns of others to support what he's said. Mr D has also submitted a further contract between him T and K which doesn't include a guaranteed 10% return. This is dated from January 2021 and contrasts with his initial contract from April 2020 which did include the guarantee. Mr D says the initial 'guarantee' was to reward early investors and was always intended to be changed once the 'hedge fund' was up and running. Mr D also says that compound interest isn't 'advanced financial knowledge' and he doesn't think his understanding this should negate his position of reasonable belief.

I've considered all these points and have given this matter careful consideration. And I accept this is a finely balanced point. But in making my decision, I've put weight on the 'initial' guaranteed nature of the 'investment', the projected returns that Mr D would've expected on that basis and the apparent lack of experience of T who on the face of it had found a way to generate astonishing returns, far in excess of what could reasonably be expected from even investment professionals. I've acknowledged the conversations Mr D says he had, and the personal connections. But weighing these factors, I'm still more persuaded that it can't fairly be said that Mr D had a reasonable basis for believing this opportunity to have been genuine and legitimate.

Mr D has also raised that he was vulnerable. The CRM code does include specific provisions for vulnerable consumers. I've considered all he's said in this regard. But given the rest of Mr D's statements about the conversations he had and the diligence he says he conducted, alongside the remainder of the information provided, I'm not persuaded that he meets the definition of vulnerable as it applies to the CRM code. I also don't think it would 'not be reasonable to expect him to have protected himself' in line with the same definition. So, this doesn't change my mind as to the outcome of this complaint.

Mr D also said that in the event I wasn't persuaded to change my mind as to his reasonable basis of belief, he would like HSBC to provide an additional £14,560 plus interest above the award I've proposed. This would be to reflect the additional part of his loss (up to 66%) for the payments made to account K.

However, in relation to the expectations on a receiving bank, at R2(2) the CRM Code says:

“In assessing whether a Customer should be reimbursed or not, Firms should consider... whether the acts or omissions of the Firms involved in trying to meet the Standards for Firms may have impeded the Customer's ability to avoid falling victim to the APP scam.”

And as I'm not persuaded that HSBC's actions in relation to account K impacted the loss suffered by Mr D (for the reasons set out above). I can't fairly require them to do more in relation to those payments – under the CRM or otherwise.

Overall, having considered all Mr D has said, for the reasons set out above, I'm not persuaded to deviate from the outcome set out in my provisional decision.

My final decision

For the reasons outlined above, my final decision is that I uphold this complaint in part.

HSBC UK Bank Plc must pay Mr D 33% of the £15,000 he credited to account T in October 2021. 8% simple interest should be added to this amount to be calculated between the date of loss and the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 27 May 2025.

Richard Annandale
Ombudsman