

The complaint

Mrs L complains that HSBC UK Bank Plc ('HSBC') won't refund the money she lost as the result of a scam.

What happened

In 2023, Mrs L was contacted on a social media app by someone she didn't know, I'll refer to this person as J.

Mrs L says she exchanged messages with J and they became friendly. J told Mrs L that he was based overseas as part of his employment.

After talking for a while, J asked Mrs L if she could take delivery of a document as he was unable to receive it in his current location.

Mrs L agreed and was contacted by a third party who said they were a courier and were at the airport to collect J's parcel, but it was being held by customs. Mrs L was told the parcel contained \$300,000 and there was a customs clearance fee of £2,000 that needed to be paid before it could be released for delivery.

Initially Mrs L asked if the parcel could be returned to the sender but then agreed to make the payment. After making the payment, Mrs L was asked to make further payments for other fees and charges associated with releasing the parcel.

These are the payments that Mrs L made from her HSBC account.

Date	Pmt	Details of transaction	Amount
29.9.2023		Attempted payment to G – cancelled by HSBC	£2,000
30.9.2023	1	Transfer to H	£1,000
1.10.2023	2	Transfer to H	£1,000
3.10.2023	3	Transfer to H	£2,225
5.10.2023	4	Transfer to H	£2,225
9.10.2023	5	Transfer to H	£3,000
12.10.2023	6	Transfer to H	£5,000
17.10.2023	7	Transfer to H	£2,000
18.10.2023	8	Transfer to H	£500
7.11.2023	9	Transfer to Z	£1,000

When Mrs L refused to make any further payments, J threatened to call the police, and Mrs L realised it was a scam. Mrs L raised a fraud claim with HSBC in January 2024, through a professional representative.

HSBC considered Mrs L's fraud claim but declined to refund her. HSBC said Mrs L was shown warnings when she set up new payees and didn't verify who she was talking to.

Mrs L wasn't happy with HSBC's response, so she brought a complaint to our service.

An investigator looked into her complaint and recommended that HSBC refund 50% of payments five and six. The investigator said under the Contingent Reimbursement Model Code (CRM Code) that Mrs L didn't have a reasonable basis for believing that the person she was talking to was legitimate. So, HSBC could rely on an exception to reimbursement. But HSBC were required to provide an effective warning on payments five and six, which they failed to do, meaning they hadn't met the standards set for them under the CRM Code.

Mrs L didn't agree with the investigator's opinion, saying that payment three was unusual and out of character compared to her usual account activity. So, she should be refunded from payment three onwards.

As the case couldn't be resolved informally, it was passed to me to review.

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.

In deciding what's fair and reasonable in all the circumstances of a complaint, I'm required to take into account relevant: law and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider to be good industry practice at the time.

Where there is a dispute about what happened, and the evidence is incomplete or contradictory, I've reached my decision on the balance of probabilities. In other words, on what I consider is more likely than not to have happened in light of the available evidence.

In broad terms, the starting position at law is that a bank is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the Payment Services Regulations (in this case the 2017 regulations) and the terms and conditions of the customer's account.

Can HSBC rely on an exception to reimbursement?

HSBC are a signatory to the CRM Code which requires firms to reimburse customers who have been the victims of APP scams like this, in all but a limited number of circumstances.

Under the CRM Code, a bank may choose not to reimburse a customer if it can establish that an exception applies. In this case HSBC say Mrs L made the payment without having a reasonable basis for believing that: the payee was the person the customer was expecting to pay; the payment was for genuine goods or services; and/or the person or business with whom they transacted was legitimate.

I'm satisfied that HSBC can rely on this exception to reimbursement for the following reasons:

- Mrs L didn't verify the person who contacted her via a messaging app, claiming to be the courier picking up the parcel at the airport.
- Mrs L didn't receive any evidence or documents that showed that customs fees were payable, which I would have expected.
- Mrs L was initially given bank details to pay an individual who I'll refer to as G. I can't see that Mrs L asked who G was, or why she was paying an individual if customs fees had to be paid. Also, when Mrs L attempted to make the payment to G, the

payment was stopped by HSBC and they discussed it with Mrs L. HSBC were concerned that Mrs L might be at risk of financial harm, so they cancelled the payment and asked Mrs L to call G and check the bank details. I can't see that Mrs L did any checks as a result of the warning that HSBC gave her during that call.

- When Mrs L discussed the attempted payment with HSBC, they asked why she was making the payment. Mrs L told them that she was sending money to her uncle. It's unclear why Mrs L lied to HSBC. If the contact told her to lie, Mrs L should've been concerned about this. If she wasn't coached to lie, this suggests that Mrs L was trying to hide the reason for the payment from HSBC and suggests she had concerns about HSBC knowing the truth about the payment.
- When Mrs L contacted the courier and told them the bank had blocked her payment they gave her new bank details for a different payee. I can't see that Mrs L asked any questions about who this new individual was, or how they were involved in the customs fees. They also suggested that Mrs L should take cash to the post office and post it to them in an envelope. This should've concerned Mrs L as no genuine courier company would ask a customer to pay them in this way.
- Mrs L wasn't given plausible reasons for the increasing fees that she was asked to pay.

It's clear from reading the messages that Mrs L had concerns right from the start, as before attempting to make the payment of £2,000, she asked if the parcel could be returned to the sender as she didn't want to make the payment. But, despite these concerns, it's unclear what, if any checks, Mrs L did on the person she was talking to or the payees she was making payments to.

Taking all of these points into consideration as a whole, I'm not satisfied that Mrs L had a reasonable basis for believing that the person she was talking to was legitimate or that she was making payments for a genuine reason.

So, HSBC can rely on this exception to reimbursement. But there are also standards set for HSBC under the CRM Code, so I've gone on to consider whether they've met those standards.

Has HSBC met the standards set for them under the CRM Code?

Under the CRM Code, where HSBC has identified or should've identified an APP scam risk, they're required to provide an effective warning.

The CRM Code says an effective warning must be understandable, clear, impactful, timely and specific.

Based on Mrs L's usual account activity, I'm not satisfied that HSBC should've identified a potential risk of financial harm for the first four payments or the last three payments. I realise that this was a lot of money for Mrs L, but I'm not satisfied that these payments were so unusual or out of character that HSBC should've been concerned. I say this as Mrs L had previously made payments of up to £2,000, so these payments were in line with her usual account activity.

But payments five and six were out of character and were for significantly more than the other payments. So, I would've expected HSBC to have identified a potential APP scam risk for these two payments and provided an effective warning.

HSBC says a warning was provided for each new payee Mrs L set up, but HSBC didn't show a warning for payments five or six.

As they didn't provide a warning for payments five or six, I'm not satisfied they met the standards set for them.

For completeness, even if they had shown Mrs L the new payee warning when she made payments five and six, this warning wouldn't be considered effective. I say this as while the warning told Mrs L to "stop and think", the explanation of "signs of a scam" didn't go far enough to explain the key features of a romance scam or any other scam. It refers to fraudsters befriending people on dating sites and people pretending to be friends and family. But this didn't relate to Mrs L's circumstances, or how she met J. So, it wasn't specific and wouldn't have been impactful for Mrs L.

As HSBC haven't provided an effective warning for payments five and six, they should refund 50% of these two payments.

Mrs L has been deprived of the use of these funds, so HSBC should pay 8% simple interest per year on the refund, calculated from the date they declined Mrs L's claim until the date of settlement.

Recovery of funds

HSBC contacted the beneficiary bank to try and recover Mrs L's funds. But, as Mrs L didn't raise the fraud claim until several weeks after she made the payment, no funds could be recovered.

Compensation

Mrs L has asked for £300 compensation but hasn't said why she isn't happy with the service she's received from HSBC. As I'm not satisfied that HSBC has provided a poor level of service, I can't fairly make a compensation award. HSBC reaching a different answer under the CRM Code, doesn't necessarily mean that Mrs L is entitled to compensation.

Putting things right

To put things right I require HSBC UK Bank Plc to:

- Refund 50% of payments five and six, being £4,000
- Pay simple interest of 8% per year on the refund, calculated from the date HSBC declined Mrs L's claim until the date of settlement.*

*If HSBC considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mrs L how much it's taken off. It should also give Mrs L a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

My final decision is that I uphold this complaint against HSBC UK Bank Plc and require them to compensate Mrs L, as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T to accept or reject my decision before 7 July 2025.

Lisa Lowe
Ombudsman