

The complaint

Miss W complains that HSBC UK Bank Plc (“HSBC”) won’t refund payments made as part of a scam.

What happened

In October 2023, Miss W came across an advertisement for an investment opportunity on a social media platform. She registered her interest and was contacted by a representative who explained she could start with as little as £200 and expect returns of 40% per week.

Miss W understood that the individual she was in communication with was a representative of an investment firm “B”, and that they also represented an e-money provider “R”. Miss W was told she needed to open an account with R to start investing. It was explained that she would need to build a good transaction history before investing.

Miss W already held an account with R, so under the individual’s instructions she made several transfers from her HSBC account to R. In total, she sent just under £40,000 in a two-week period. Miss W took out personal loans, including one with HSBC, to fund majority of the transfers. She’s explained the sole purpose of the loans was to carry out urgent home renovations as her property was suffering from significant issues with mould and dampness. The individual suggested placing the funds into a financial account where they could grow while she planned and phased the renovation work over the next six months.

The following transactions on Miss W’s HSBC account are relevant to this complaint –

	Date		Amount
Payment 1	25 October		£5,000
	27 October	Loan from third party lender	£10,000 (credit)
Payment 2	30 October		£9,500
Payment 3	31 October		£5,000
Payment 4	2 November		£2,500
Payment 5	2 November		£5,000
	3 November	Loan from HSBC	£10,000 (credit)
Payment 6	3 November		£10,000
	6 November	Money transfer from Miss W’s credit card	£1,700 (credit)
Payment 7	6 November		£1,700
Payment 8	7 November		£1,000

Miss W states she realised she’d been scammed when she checked her account with R and discovered that all the money that she’d transferred from her HSBC account had disappeared, when she thought that it was meant to remain with R to build a good transaction history.

HSBC declined to refund Miss W's loss. It said the funds were transferred to an account in Miss W's name, therefore she needed to report the matter to R. Unhappy with this response, Miss W complained to HSBC and later referred her complaint to our service. Miss W also complained about R – it is being considered separately by our service.

One of our investigators looked into Miss W's concerns and concluded that HSBC hadn't acted unfairly in processing the disputed payments. Miss W disagreed and said the bank didn't do enough to protect her from falling victim to a scam.

I issued my provisional decision earlier this month and said I intended reaching the same overall outcome as the investigator but for slightly different reasons. I said –

“From what Miss W has described about the events leading up to the payments she’s disputing, and based on my independent research into B, it’s not in question that she was the victim of a scam. And it’s very unfortunate that she’s lost money. But HSBC doesn’t automatically become liable to reimburse her loss.

Under the Payment Services Regulations 2017 (PSR) and in accordance with general banking terms and conditions, banks should execute an authorised payment instruction without undue delay. The starting position is that liability for an authorised payment rests with the payer, even where they are duped into making that payment. There’s no dispute that Miss W made the payments, and so they are considered authorised.

But in accordance with the law, regulations and good industry practice, a bank should be on the look-out for and protect its customers against the risk of fraud and scams so far as is reasonably possible. If it fails to act on information which ought reasonably to alert it to potential fraud or financial crime, it might be liable for losses incurred by its customer as a result.

I’ve looked at the operation of Miss W’s account in the year leading up to the scam payments and, in isolation, I don’t consider the individual transaction amounts in dispute to be that unusual for the account activity. For instance, I can see Miss W made a payment for £9,000 in September 2023. And in June 2023, she made a payment for £7,362. The account statements also show that it wasn’t uncommon for Miss W to send payments to other accounts in her name frequently. And Miss W had already made some payments to her Revolut account. So, it was an existing payee by the time the scam payments were made.

Although there was an increase in spending activity on the account when the scam payments began, the payments were initially spaced out. So, I don’t think HSBC needed to take any additional steps. However, by the time Miss W made Payment 6 on 3 November, I think HSBC ought to have identified that she might be at a heightened risk of financial harm due to fraud. This is because a pattern of money coming in and going out had begun to emerge over the preceding days. Also, HSBC had received and approved an online application for a loan on the day in question. As the funds advanced were immediately sent out (the payment in question), I consider that the bank should have taken additional steps and made enquiries to satisfy itself that everything was above board before processing the payment. So, an opportunity was missed.

But that’s not the end of the matter. Causation is a critical determinative factor. It isn’t enough that HSBC failed to make sufficient enquiries. I need to be persuaded, on balance, that such an intervention would have positively impacted Miss W’s decision-

making. Having thought about this carefully, I'm not persuaded that further enquiries by the bank would have led to Miss W not going ahead with the payment.

I say this because Miss W has told us that it was her intention to use the funds for home improvements – the purpose she stated on the loan application. She's also told us that it didn't make financial sense for her to borrow the entire amount from single institution. And that, due to her credit history, there was a borrowing limit imposed by each bank. Had HSBC questioned her about Payment 6, on balance, I think it's most likely Miss W would have explained that she was moving her funds to another account in her name and the money was going to be used for home improvements. Had the bank probed her further about the work she intended to carry out, she would have likely given a similar response to what she told our service. Namely, that urgent repairs were needed to rectify mould and dampness. Miss W would have also been able to confirm that the loan funds received from a third-party lender were also for home improvements.

All in all, I'm not persuaded that Miss W's answers would have given HSBC cause for concern that she was falling victim to a scam. What this means is that in the circumstances of this case, I don't consider HSBC acted unfairly or unreasonably in processing Payment 6. The next two payments were of relatively smaller values, and I don't think HSBC ought to have taken additional steps before processing them.

I've also thought about whether HSBC could have done more to recover the funds once it became aware of the situation, as in some circumstances the money can be recovered. Here, the payments went to another account held by Miss W. They were lost to the scammer from there. As HSBC could have only attempted to recall the funds from R, but the funds had already been moved out of Miss W's account with R, recovery wouldn't have been successful."

I gave both parties an opportunity to provide further information or evidence for my consideration in response to my provisional decision.

HSBC said it didn't have anything to add. Miss W replied and said she was disappointed with the outcome as it didn't adequately reflect the full complexity of the circumstances surrounding the scam she fell victim to. In summary, Miss W states –

- The scammer provided forged documents which were so convincing that they would plausibly mislead even an informed and cautious individual. Miss W has provided the documents along with her appeal and she states her actions were taken in good faith and under the impression that she was engaging in legitimate financial activity endorsed by reputable institutions (like HSBC).
- The speed with which HSBC processed the loan is of significant concern, with only a single verification call following the submission during which she was merely informed that the loan had been approved and would be disbursed shortly. Miss W says that had the bank engaged in more thorough questioning, as it is required to under the Contingent Reimbursement Mode (CRM) Code, she would have disclosed the involvement of the purported documents suggesting collaboration between HSBC, R and B.
- She contests my conclusions on causation and states that had HSBC questioned her about Payment 6 and requested documentary evidence of the works, she would have submitted the forged documentation which would have demonstrated that she was being manipulated.

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.

I'd like to start by thanking Miss W for sharing her personal circumstances with us – I can appreciate how difficult this whole situation was, and continues to be, for her. Falling victim to a scam can be distressing and have significant consequences, not just financially but also emotionally.

I've reviewed the document which Miss W submitted in support of her appeal, and I can confirm that it was included in the original complaint submission which our service received from the claims management company that was initially representing her on this complaint. So, I'd already taken it into account when reaching my provisional decision.

While there's no doubt that Miss W was the victim of a cruel scam, it doesn't automatically follow that HSBC becomes liable to reimburse her loss. My role is to take account of the law, as well as consider what's fair and reasonable in the circumstances of the complaint before me. I can only ask HSBC to reimburse Miss W if I find that any wrongdoing on its part caused her loss.

Miss W is right that HSBC was a signatory to the Lending Standards Board's CRM Code when this scam happened. But the provisions of the Code don't cover the payments that were made as part of the scam. This is because for the Code to apply, the payments have to be made to an account held by another person. In this case, Miss W's payments from her HSBC account went to an account that was also in her name.

Outside the provisions of the CRM Code, as I previously mentioned, a bank should be on the look-out for and protect its customers against the risk of fraud and scams so far as is reasonably possible. If it fails to act on information which ought reasonably to alert it to potential fraud or financial crime, it might be liable for losses incurred by its customer as a result.

I've considered Miss W's comments that it's inaccurate and misleading to describe the activity on her account during the relevant period as 'not unusual'. But I think there might be some misunderstanding here. In the excerpt that she's quoted from my provisional decision, I specify that in making that finding I'm referring to the individual transaction amounts when considered in isolation. I then go on to consider the overall spending activity and explain why I don't consider HSBC needed to take additional steps before processing the first five payments. As well as why the bank should have made enquiries when Payment 6 was authorised. So while I've carefully read Miss W's appeal, my finding on the suggested trigger point remains unchanged for the reasons given in my provisional decision.

I can see that Miss W has raised concerns about the sanctioning of the loan and has said that HSBC should have asked more questions before approving it. I can't see that Miss W has complained to HSBC directly about its decision to lend her money and the checks it carried out. As it hasn't had the opportunity to investigate and address her concerns relating to this, Miss W will need to raise the matter with the bank directly in the first instance before our service can get involved. Therefore, to the extent that Miss W's concerns relate to what questions HSBC should have asked prior to approving her loan application, I won't be considering or addressing them in this decision.

That said, in my provisional decision I did consider whether HSBC should have allowed the payment which Miss W funded entirely from the loan proceeds (Payment 6). I concluded that the bank should have intervened and made further enquiries, but had it done so I wasn't

persuaded that it would have led to the scam being uncovered. Miss W states she would have submitted the forged document if the bank would have asked to see documentary evidence, and this would have unequivocally demonstrated that she was being manipulated.

I appreciate what Miss W says she would have done had HSBC asked for it, but, in the circumstances of this case, I wouldn't expect the bank to have asked to see any documentation relating to the payment which I think should have triggered. This is because HSBC would have known that Miss W had applied for and had been granted a loan for home improvement works. Therefore, a response indicating that the funds were still intended for home improvements wouldn't have appeared alarming or concerning to the bank.

As I also mentioned in my provisional decision, I think Miss W would have been to provide details of the planned works had it come up in the discussion. In relation to documentation, the bank is not an expert at building renovations. So, if it had come up, the most I would have expected from the agent is to have asked Miss W whether she had received any documentation and if she was satisfied that it all checked out. Given what she's said about the quality of the forged document, on balance, I think it's likely she would have said yes. Therefore, my findings on causation remain unchanged.

I can see that Miss W has also asked me to consider some wider concerns she's raised about the inadequacy of current safeguards in place. My role is to consider the individual complaint before me and decide whether the respondent business has acted unfairly. And if it has, whether that was the reason for any detriment suffered by the complainant. And that is what I've done here. I know that Miss W will be significantly disappointed with this outcome. But for the reasons I've set out above, and in my provisional decision, it wouldn't be fair of me to hold HSBC responsible for the loss she's suffered due to the actions of the cruel scammer.

My final decision

For the reasons given, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 15 July 2025.

Gagandeep Singh
Ombudsman