

The complaint

Mr A complains that HSBC UK Bank Plc did not reimburse the funds he says he lost to a scam.

What happened

Mr A was looking to have some building work completed on his house, after some initial quotes, he amended these plans to a single-story extension. He eventually agreed to hire a company I will refer to as 'X' who had previously completed work on his sister's house. X quoted him £49,000 for the work and Mr A paid the initial £9,900 deposit on 21 March 2024. Work began on 11 June and was due to take around 4-12 weeks. However, there were issues with drainage and relocating a sewer pipe, which led to delays. Over the period of around six months, Mr A paid a total of £51,001.98 across multiple transactions to both X's business account and to subcontractors at X's request.

Following some cashflow issues, X asked for additional funds. However, once the allocated budget had run out, Mr A stopped making payments. X's visits to site then stopped and eventually, all communication ceased. Since then, Mr A has been quoted a further £67,000 to complete the work and has now had an independent report completed stating only around 15% of the work had been completed and mostly to a poor standard. He raised a scam claim with HSBC who issued a final response letter on 20 March 2025 stating they considered this to be a civil dispute. However, they acknowledged they had sent Mr A a letter with the incorrect loss written in it and so offered him £100 compensation to apologise for this. Mr A did not accept the offer of compensation.

The complaint was referred to our servicer and our Investigator looked into it under the Lending Standards Board's Contingent Reimbursement Model ("CRM") Code. On balance, they did not think there was enough to be satisfied the payment met the bar of a scam under the CRM Code and instead felt this was a civil dispute between X and Mr A. Mr A disagreed with the outcome and felt HSBC had failed to identify and flag irregular payments and appropriately warn him.

As an informal agreement could not be reached the complaint has been passed to me for a final decision.

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.

It isn't in dispute that Mr A authorised the payments in question. Because of this the starting position – in line with the Payment Services Regulations 2017 – is that he's liable for the transactions. But he says that he has been the victim of an authorised push payment (APP) scam.

HSBC has signed up to the voluntary CRM Code, which provides additional protection to scam victims. Under the CRM Code, the starting principle is that a firm should reimburse a customer who is the victim of an APP scam (except in limited circumstances). But the CRM Code only applies if the definition of an APP scam, as set out in it, is met. I have set this definition out below:

...a transfer of funds executed across Faster Payments...where:

- (i) The Customer intended to transfer funds to another person, but was instead deceived into transferring the funds to a different person; or*
- (ii) The Customer transferred funds to another person for what they believed were legitimate purposes but which were in fact fraudulent.*

The CRM Code is also explicit that it doesn't apply to private civil disputes. The wording in the code is as follows:

"This Code does not apply to:

- b) private civil disputes, such as where a Customer has paid a legitimate supplier for goods, services, or digital content but has not received them, they are defective in some way, or the Customer is otherwise dissatisfied with the supplier."*

I've therefore considered whether the payments Mr A made to X fall under the scope of an APP scam as set out above. Having done so, I don't agree that they do. I'll explain why in more detail.

I've considered the first point listed out above, and from what Mr A has said, it appears that he has paid the individuals he intended to pay. So, I don't think it is relevant in this complaint.

I have gone on to consider the second point, if Mr A transferred the funds for what he believed was a legitimate purpose but turned out to be fraudulent.

When considering this, I have to think about whether Mr A's intended purpose for the payments was legitimate, if they broadly aligned with X's intended purpose for the payments and if not, I have to consider if this was down to dishonest deception on X's part.

Mr A has sent us a copy of the invoice he was provided by X, with a breakdown of the expected work and quoted costs. Having reviewed it, I think Mr A's intended purpose for the payments was to pay for building work to be completed on his property, and on balance I think his purpose for the payments was therefore legitimate.

To try and understand what X's intended purpose of the payments were, I have reviewed all of the evidence available to me carefully. In doing so, I can see that X had been registered on Companies House since 2020, and there are reviews available online for their work dated from four years ago, which were positive. Mr A has confirmed there was previously a website for X, and I can see the invoice and quote was provided on headed paper and was professionally set out as I would expect a legitimate business to do so.

In addition, I can see X did arrive on site and did begin work, though the messages suggest there were a number of unforeseen issues such as an unexpected sewer being located which had to be moved and other drainage issues. All of the above suggests to me that X was a legitimate company and that at the time it agreed a contract with Mr A and agreed to carry out work, its intention was to provide the work that was expected of it. The available evidence therefore suggests that X's intended purpose for the payments broadly aligned with Mr A's.

However, there is a review I have located about X from 11 months ago which states the work carried out was poor and while a refund was agreed this could not be actioned due to cashflow issues. I can see from the messages between Mr A and X that the business began to have cashflow issues and this was impacting its ability to carry on with the work. As Mr A had already reached the limit of the agreed budget, he was understandably unwilling to provide further funds, and this ultimately led to a breakdown in their relationship. However I do not think this indicates X intended to defraud Mr A from the outset.

There have been some notices on Companies House that compulsory strike off action has been proposed against X over the years, but these have all been suspended. Overall, it does

appear that X ran into financial difficulties, and this ultimately led to it being unable to complete the projects it had agreed to. Mr A has also provided a report for a third party that states only around 15% of the agreed groundwork was completed and it feels this was to a poor standard. While I do accept that X clearly ran into financial difficulties and mismanaged its projects, and even provided a poor service, on balance I don't think this means it set out to take Mr A's funds with no intention to provide the service he paid for.

I do not want to diminish how difficult the situation must have been for Mr A and the financial strain it has put him and his family under, but I have to focus on whether HSBC should reasonably reimburse him. Having carefully reviewed everything available to me, I do not think the payments fall under the CRM Code as a scam, and instead I think this is more likely a civil dispute. So, I think it was reasonable for HSBC to treat this complaint as a civil dispute.

I've also taken into consideration Mr A's comments that the payments were unusual so should have been picked up on by HSBC. Even if I were to agree that this was the case, as set out above, I think this falls into the category of a civil dispute, so it is difficult to agree that HSBC would have had concerns over the purpose of the payments had they spoken to Mr A about them.

My final decision

I do not uphold Mr A's complaint against HSBC UK Bank Plc

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 3 October 2025.

Rebecca Norris

Ombudsman