

The complaint

Mrs S has complained about HSBC UK Bank Plc lending to her and not refunding the money she lost in a scam.

What happened

Both sides are most familiar with the case, so I'll summarise things more briefly.

In mid-2024, Mrs S fell victim to a cryptocurrency investment scam. The scammers pressured her into taking out loans to fund the fake investment, saying they'd guarantee she wouldn't end up liable for them.

One of these was a £25,000 loan from HSBC. Mrs S sent the funds on to another account, then ultimately bought crypto and sent it on to the scammers. The scammers didn't keep their promises and Mrs S realised she'd been scammed.

The other loan providers wrote off part or all of their loans. HSBC still wish to hold Mrs S liable for the full amount, including interest and charges.

Our Investigator didn't uphold the complaint. Mrs S's claims management company dropped the matter, whereas Mrs S continued pursuing it under a linked case. The linked case was passed to me decide. As part of assessing that linked case, it became clear that this case needed re-opening and deciding first.

I sent Mrs S and HSBC a provisional decision on 23 June 2025, to explain why I thought the complaint should be partially upheld. In that decision, I said:

Based on what I've seen so far, I currently think that HSBC are not liable to refund the scam payments, but that they did lend to Mrs S irresponsibly and should waive the interest and adjust her credit file. I'll explain why.

First, I understand that Mrs S fell victim to a cruel and sophisticated scam. I appreciate this cannot have been an easy matter for her to face, and I also appreciate why she would like her payments back. It's worth keeping in mind that it's the scammers who are primarily responsible for what happened, and who really owe Mrs S her payments back. But in this case between Mrs S and HSBC, I'm just looking at what Mrs S and HSBC are liable for.

It's not in dispute that Mrs S authorised the payments involved. So although she didn't intend for the money to end up with scammers, under the Payment Services Regulations she is liable for the loss in the first instance. And broadly speaking, HSBC had an obligation to follow her instructions – the starting position in law is that banks are expected to process payments which a customer authorises them to make.

HSBC should have been on the lookout for payments which could be the result of fraud or scams, to help prevent them. Like our Investigator, I think HSBC should have intervened earlier than they did, given how large and out of character the activity was, along with the suspect context around it.

However, even if HSBC had intervened earlier, and even if they'd asked further reasonable questions about what Mrs S was doing or given further proportionate warnings, I think it's more likely than not that HSBC would not have uncovered the scam and that Mrs S would've still gone ahead with the payments.

I say this because Mrs S had a number of interactions with different banks over the course of this scam, and she repeatedly misled them at various stages, including HSBC. Her cover story – that the money was for home improvements – would've been very hard for HSBC to unravel given that Mrs S had in fact been carrying out home improvements anyway and so was able to provide a detailed and realistic story which she could back up. The money was going to genuine other accounts of Mrs S and her partner, which would've made it look a bit less concerning for HSBC, and they couldn't see what was happening to it after it left HSBC. From her contact with the scammers, it's clear that Mrs S trusted them a lot and was willing to go to some lengths for them. Her partner was also in this with her and helped her make the transactions needed, which would've also given Mrs S more confidence in what she was doing. And Mrs S was given tailored scam warnings by another bank, which detailed scams like this one and pointed out how her activity matched up to scam trends; but she chose to go ahead anyway.

So I'm afraid it simply doesn't seem likely that further proportionate questioning or warnings would've stopped the loss. And there wasn't anything more that HSBC could've reasonably done to recover the payments once Mrs S told them she'd been scammed, since she'd already sent the money on by that point. As such, I don't think HSBC can fairly be held responsible for the loss from the scam payments.

However, turning to the £25,000 loan involved, I currently think HSBC lent it to Mrs S irresponsibly.

HSBC needed to carry out proportionate, borrower-focused checks to satisfy themselves that Mrs S would be able to sustainably repay the loan. In other words, it wasn't enough for HSBC to think only about the likelihood that they would get their money back, or to assess only whether Mrs S could technically afford the repayments on a strict pounds and pence basis, without considering whether the loan was likely to cause adverse effects for her.

There isn't a set list of what proportionate checks must look like. But I'd expect that – for example – the higher the amount of the loan and the longer the commitment, the greater the checks should be.

This particular loan was for a large amount, over a lengthy period, being applied for by an elderly disabled pensioner who'd been running her account out of its overdraft more and more in the preceding months. Mrs S's pension and disability benefit were paid into her HSBC account and HSBC assessed her income based on them; and her main account – with its increasing overdraft use – was also with HSBC. So I think HSBC were reasonably aware of her situation. This was a significant level of debt being applied for over a lengthy period of time, and Mrs S stood to pay thousands of pounds in interest alone. As such, I think there was enough cause for concern to prompt HSBC to look more closely at Mrs S's financial situation before deciding whether to provide the loan.

Further, according to HSBC's technical data, it flagged up that a remote access app was active during the time of the application. And I can see there were multiple failed logins and 3 different devices trying to access the account at the time. That should've only added to HSBC's concerns and prompted greater scrutiny.

I acknowledge that HSBC did do some checks and got some information – for example, they verified that Mrs S didn't have any adverse credit data like defaults or insolvency. But from what HSBC have provided, the application data was brief, and was subject only to short automated checks based on quite little information and relying quite a bit on conjecture. The data tool used doesn't seem appropriate for the circumstances of this loan and applicant. For example, it could fail to differentiate between Mrs S's and her partner's income – which seems to be what happened here. Essentially, it looks like HSBC relied on overly-brief checks which produced inaccurate information – I'll come to that.

So I currently find that HSBC did not carry out reasonable, proportionate checks here. In the circumstances of this case, I think it would have been reasonable and proportionate for HSBC to, for example, have reviewed Mrs S's statements from the last few months to help better determine her financial situation, before making a decision on the loan. Since Mrs S primarily banked with HSBC, this would hardly have been onerous for them.

A review of Mrs S's statements would've shown that her regular income was much lower than what the data tool estimated. It looks like the tool added her partner's income on, despite this being a sole loan, and despite the tool also halving Mrs S's estimated expenditure on the assumption that her partner would cover half of it with that same income. That would mean it not only used someone else's income to assess a sole loan, but double-counted it too. HSBC also seem to have assumed that Mrs S was employed, despite her wider circumstances, despite this not showing on her application data, and despite there being no salary on her statements. Another loan provider carried out a more robust employment check, which showed that Mrs S was indeed a pensioner as she'd stated, rather than employed. HSBC have not evidenced that they actually verified the employment they relied on, other than during an undated Know Your Customer check. Such checks are normally done upon opening an account, and Mrs S's account was opened over three decades prior. I'm not satisfied that HSBC were relying on reasonably up-to-date information there.

The expenditure figures HSBC relied on seem to have been unrelated to Mrs S's actual spending and unrealistic. They assumed her outgoings would only be about £400 a month in total, which didn't even cover the main utilities direct debit she paid solely, let alone food, water, clothing, petrol, insurance, emergencies, her existing repayments, and so on. In reality, Mrs S had little to no disposable income – even if we halve the costs covered by the joint account – or was even in a budget deficit. That would explain why she'd been dipping further and further into her overdraft in the lead-up to this loan. I can't see that she had sufficient disposable income to repay this loan, let alone to do so sustainably over a lengthy period at her age and in her situation.

Perhaps most concerning of all: if HSBC had looked at Mrs S's financial situation more closely, such as by looking at her account activity, then they would've seen that just a week prior she'd received loans of £20,000 and £24,500. That would've clearly been sufficient cause for concern to deny this loan.

To reiterate: I am not saying that HSBC must carry out a manual review in every case. Checks should be proportionate to the situation. In the particular circumstances of this case,

I currently find that HSBC did not carry out reasonable and proportionate checks, that reasonable and proportionate checks would've involved taking a closer look at Mrs S's financial situation, and that reasonable and proportionate checks would've shown that this loan was clearly not sustainably affordable for her.

As such, I currently find that HSBC lent to Mrs S irresponsibly.

In such a situation, it's reasonable for Mrs S to repay the principal amount she borrowed, because she had the use of it. And while I acknowledge that she decided to pay the funds onto scammers, as I found above I don't think HSBC could've reasonably foreseen that or uncovered the scam at the time. So I can't fairly tell HSBC to write off the loan in full. But I do think they should waive the interest and fees in view of the affordability concerns.

I said I'd consider anything else anyone wanted to give me – so long as I received it before 7 July 2025. HSBC didn't add anything further. I'll talk about Mrs S's reply 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.

Mrs S appreciated the provisional decision, but wished to add that she's not a dishonest person and went along with the scammer because she was promised that the money would be paid back to the banks. I do understand why Mrs S wanted to add this. I will explain that our decisions are not judgements of character – the only person whose character I would look to disparage here is the scammer's. But I do nonetheless need to set out the facts and base my decision on the evidence at hand and the balance of probabilities, which includes taking account of any misleading things that either side did.

Mrs S also explained that she understands she made a serious mistake, and has already taken strong measures to start paying back the debts, including selling off beloved jewellery. She asked for HSBC to be lenient with her.

I'm grateful to Mrs S for being open and candid with us about how this matter has affected her, and again I do appreciate why she wanted to add this. As set out in the provisional decision, I think HSBC lent to her irresponsibly, which is why I'm telling them to remove the loan's interest and charges. She'll then only need to repay the principal amount. And HSBC will need to deal positively and sympathetically with any financial difficulties and base any repayments on what Mrs S can actually afford. Mrs S can get back in touch with our service if she later finds that HSBC are not taking account of her financial situation when working out how to repay the principal. But I hope that won't be necessary – HSBC are an established bank and have experience dealing with borrowers who fall into financial difficulties.

Other than that, neither side have given me any new evidence or arguments. So having reconsidered the case, I've come to the same conclusion as before, and for the same reasons as set out in my provisional decision above.

Putting things right

I direct HSBC UK Bank Plc to:

- Remove all interest, fees, and charges applied to the loan from the outset. Any payments made by Mrs S should then be deducted from the new starting balance of just the principal.

If Mrs S has already repaid more than the amount of the principal, then any surplus should be treated as overpayments and refunded to her along with simple interest at 8% simple a year on those overpayments, from the date each overpayment was made until the date it's returned. If HSBC considers that they're required by HM Revenue and Customs to deduct tax from that simple interest, they should give Mrs S a certificate showing how much tax has been taken off the simple interest if she asks for one.

- If there's still an outstanding balance on the loan, then HSBC should agree an affordable repayment plan with Mrs S, bearing in mind the need to treat her positively and sympathetically and to take account of her current ability to repay the loan.
- Remove any relevant adverse information recorded on Mrs S's credit file as a result of this lending.

My final decision

I uphold Mrs S's complaint in part, and direct HSBC UK Bank Plc to put things right in the way I set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 5 August 2025.

Adam Charles

Ombudsman