DRN-5680369

The complaint

U, a limited company, complains that HSBC UK Bank Plc have declined to refund them for funds lost to a scam. U is represented by Mr W, a director.

What happened

The background to this case is known to both parties, and largely not in dispute, so I will only cover it briefly here. In April 2024 U paid £32,212.37 to a supplier in the US, using bank details provided by email. However, it later turned out that U had been in contact with a fraudster, rather than their genuine supplier. U let HSBC know the next day, but it took several weeks before HSBC logged the fraud case and contacted the beneficiary bank.

U asked HSBC to reimburse their losses, and to complain about the service that was received. HSBC responded to say they had processed the payment as instructed, so wouldn't look to refund it. But they agreed their service had not been up to standard and offered £100 compensation. Mr W said that he had been told by staff at HSBC that U would be reimbursed. But HSBC said the beneficiary bank had said they weren't able to return the funds.

Dissatisfied with this Mr W referred U's complaint to our service. On review HSBC decided to increase their compensation offer to £500. This was declined by Mr W.

Our investigator thought that HSBC didn't need to do anything further. She reasoned that the payment was properly authorised, and didn't stand out compared to the usual activity on the account. So, she thought it was reasonable that HSBC processed it without intervention. She didn't think that HSBC could reasonably have known about the receiving account. She agreed that HSBC's service was poor and took too long to contact the receiving bank, but she thought the £500 offer was appropriate to compensate for this.

Mr W disagreed, saying that HSBC should have noticed the mismatch in the receiving account's name. The investigator didn't agree, so the complaint has been passed to me to decide.

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'm sorry to disappoint Mr W and U, as they've been the victim of a crime here, and have lost out because of this. But I'm satisfied that HSBC's offer to resolve the complaint is fair, so I'm not asking them to do anything further from it. I'll explain why.

There's no dispute that the payment was authorised correctly, to the details provided by an authorised user of U's account. Under the relevant regulations for payments – the Payment Services Regulations 2017 – there's no specific obligation on HSBC to refund U. Even if it later turns out that the payment was made under false pretences.

HSBC were signed up to the Lending Standards Board's Contingent Reimbursement Model (CRM) code at the time of the payment. This is a voluntary code whereby certain banks agreed to refund victims of Authorised Push Payment fraud, subject to certain conditions. One of these conditions was that it only applied to payments made to other UK bank accounts – but in this instance U's payment was sent to the US. So, U wouldn't qualify for a refund under the CRM code.

HSBC have ongoing commitments and obligations to monitor accounts and payments to look for signs of financial harm – such as fraud or financial crime. If a payment looks suspicious, or high risk, then I may expect a bank to intervene and ask further questions of it. The hope is that any fraud is discovered and prevented at this point.

Here though, while this is obviously a significant amount of money, I don't see that it's entirely out of keeping with the previous activity on U's account. There are regularly payments of around this figure in the months leading up to the scam. So, I'm not persuaded that this payment would cause concern, such that intervention would be expected.

Mr W has argued that the payee's name didn't match the destination account. But HSBC wouldn't have had the facility to check the destination account name for a US-based account nor is there any requirement for them to do so. There is a system for checking account names within the UK, but this doesn't extend internationally. I don't see that HSBC would have been aware of this at the point the payment was made. The first they seem to become aware of this was on 11 April 2023 when they were informed by a bank in the US, which is a week after the payment was made.

Based on the information that would have been available to them at the time, it's not unreasonable for HSBC to have processed the payment with intervention.

When Mr W reported the fraud, it's accepted that HSBC didn't respond fast enough. I've reviewed the calls he had with HSBC, and it's clear to me that the level of support provided was sufficient. I agree that this will have caused disruption and inconvenience to U's business, with a director having to spend considerable time trying to resolve the matter.

HSBC didn't contact the receiving bank in the US within a reasonable time. However, I'm not persuaded that this meant there was a lost opportunity to recover U's funds. From the SWIFT messages the bank in the US could not obtain debit authority from their customer – so it seems unlikely that that they would agree to return the funds if they had been contacted earlier. While I understand why this would be frustrating for Mr W and U, HSBC can't compel them to return the funds.

But I think it's right that HSBC pay some compensation to reflect the difficulties their response and service caused U. I'm satisfied that the £500 offered is a fair reflection of this.

My final decision

My final decision is that HSBC UK Bank Plc must pay U £500 in total.

Under the rules of the Financial Ombudsman Service, I'm required to ask U to accept or reject my decision before 2 October 2025.

Thom Bennett
Ombudsman