

The complaint

Mr N complains HSBC UK Bank Plc won't refund the money he says he lost to a scam.

What happened

Mr N says a company I'll refer to as C emailed him about a property development investment opportunity with a company, "C". He looked into them, including visiting their offices, and thought they appeared legitimate and so decided to invest. From his HSBC account, Mr N sent C £4,500 in February 2024 followed by £9,000 in March 2024 to invest in a property unit, on the understanding C would be renovating and renting it out as social housing through councils and housing authorities they held contracts with.

I understand Mr N was expecting to receive monthly returns, and I can also see some were paid. He also went on to invest further with C, sending payments from another account he held. But the returns then stopped and Mr N couldn't make contact with C. He then heard they had gone into liquidation. Concerned C had been operating a scam, Mr N complained to HSBC (via a professional representative) that he should be refunded in line with the terms of the Contingent Reimbursement Model (CRM) code – under which victims of Authorised Push Payment (APP) scams are generally entitled to reimbursement.

HSBC didn't agree to refund Mr N. It said he had received returns, and that C were also subject to a police investigation. Unhappy that HSBC hadn't refunded his loss, Mr N referred the matter to our service.

Our investigator upheld the complaint. In summary, they were the payments met the CRM code's definition of an APP scam, and that no exceptions to reimbursement applied. They recommended HSBC should refund Mr N's payments to C – and pay interest on top of this to compensate him for the delay in doing so.

Mr N accepted the investigator's outcome but HSBC appealed. In summary it said our service shouldn't consider the matter due to its complexity, and it should be allowed to wait for the outcome of the police investigation to answer Mr N's CRM code claim – which wasn't put in place to protect consumers from risky investments.

HSBC also said that if we uphold the complaint, the credits Mr N received from C should be deducted from the award. And no interest should be applied to our award, or a lower rate should be applied, and that it should only run from a reasonable period of time after a final and binding decision.

I've let Mr N (and HSBC) know I agree that his credits from C should be deducted from his refund and he has agreed to this. Our investigator has let HSBC know the other points don't affect their outcome. It has asked for the matter to be reviewed by an ombudsman.

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.

Overall, I'm satisfied I already have enough persuasive evidence to show Mr N was likely scammed – and it's unlikely the police investigation will affect this. I'm also persuaded HSBC had enough information to reach this conclusion when Mr N first claimed. I'll explain why.

Here is the CRM code's definition of an APP scam:

"Authorised Push Payment scam, that is, a transfer of funds executed across Faster Payments, CHAPS or an internal book transfer, authorised by a Customer in accordance with regulation 67 of the PSRs, 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."*

I consider it clear Mr N intended to pay C for what he believed was a legitimate purpose (for a property development investment). So, I've gone on to consider whether C's intended purpose was broadly aligned with his at the time – and, if not, whether this was the result of a dishonest deception by C. For the following reasons, I'm persuaded C fraudulently deceived Mr N into making these payments.

C held accounts which show around £6,000,000 being spent in a way that appears consistent with property development. But it also received around £20,200,000 from investors. C's standard unit price was £13,500. So, that means it would need to have entered around 1,500 property agreements. But the outgoing payments aren't consistent with C paying for rent, refurbishments and furnishings for this many agreements.

C claimed to hold contracts with local authorities – as they would need to have done to fulfil the investor agreements. But their beneficiary statements show no incoming payments from local authorities or housing providers.

Additionally, several local authorities have confirmed they didn't have a working relationship with C – with one confirming an invoice C used to supposedly demonstrate their working relationship was forged. A director of C was also removed from Companies House due to their identity being stolen; they had no connection to C. This speaks to a dishonest deception by C.

Our service has seen evidence that at least six different units were sold to multiple investors. This comes from complainants providing the individual property addresses they thought their investment was purchasing across around 100 complaints. This information also shows around half of those addresses were in buildings where the owners have confirmed they didn't have a relationship with C.

We've also seen instances where the properties remained derelict after the investment was made or remained under construction when they were supposedly generating an income. All of this makes it seem unlikely C intended to use Mr N's payments for a genuine property development investment.

Turning back to C's accounts, we can see around a third of the investment capital wasn't used for the purpose of securing and developing properties to be used for social housing – ranging from cash withdrawals, to payments to individuals involved in operating C, to paying jewellers, restaurants and more. There are further substantial withdrawals and payments which the purpose for is unknown.

Around £440,000 C received could be legitimate income, although none of this came from local authorities or social housing providers. But in comparison, £2,500,000 was paid to investors. It's clear this didn't come from genuine income – strongly indicating C were operating a Ponzi scheme.

Overall, there is little to suggest any transactions are consistent with C completing property development for the benefit of investors, and much more to suggest C weren't using investors' funds for the intended purpose. Even if any of the funds C received were used for property development, it seems likely this was done with the intention of encouraging further investment as part of an overall scam. For these reasons, I'm satisfied Mr N's payments meet the CRM code's definition of an APP scam – and it's unlikely the outcome of the police investigation will impact this.

HSBC says the CRM Code wasn't in place to protect consumers from risky investments. But it was in place to protect victims of APP scams – which I've determined Mr N was. The starting position under the code is that he should be refunded for the loss incurred from these payments. However, there are some exceptions under the code which, if applicable, firms can rely on to decline reimbursement.

Of relevance here is that firms can choose not to reimburse a customer if they ignored an effective warning. Or if they made the payment(s) without having a reasonable basis for believing that the payee was the person they were expecting to pay; the payment was for genuine goods or services; or the person or business with whom they transacted was legitimate. There are further exceptions within the CRM code but they aren't relevant here.

HSBC has shown that it displayed warnings when Mr N set up the first scam payment. But in order to decline to refund him based on these warnings, it would need to show they met the CRM code's criteria for an effective warning – including being impactful (i.e. positively affecting the likelihood of the scam succeeding). And I don't think they met that bar.

The warnings were all fairly broad, and I don't think they would have resonated with Mr N as they didn't reflect the key features of this scam. For example, one of the more relevant warnings mentioned checking the FCA's website and scam list. But there were no warnings issued about C, and the type of investment they offered didn't necessarily require FCA regulation. So, I'm not persuaded HSBC has shown Mr N ignored any effective warnings as its warnings weren't, in my view, impactful.

I'm also persuaded Mr N had a reasonable basis for belief when he made these payments. C were registered on Companies House and provided professional-looking documentation and marketing, including providing a professional contract and invoice for his specific investment. Mr N had also visited their offices, which would reasonably have reassured him they were genuinely operating. He also researched them before investing – and I haven't seen any suggestion of public concerns about C from the time which I think Mr N should reasonably have been aware of from his research.

I have considered that C were offering high returns. But Mr N understood the scheme was government backed, providing assurances on rent that would be received. Overall, given the sophistication of this scam and the action Mr N took to look into C, I consider it reasonable he believed they were offering a legitimate investment.

Overall, I don't think HSBC has demonstrated that any exceptions to reimbursement apply under the CRM code. I therefore think it should refund Mr N's outstanding loss from these payments in full (so, taking into account the returns he received).

I agree with the investigator that HSBC had enough information when Mr N raised his claim to conclude he had been scammed and to uphold his claim within the usual 15-day timeframe it has for responding to CRM code claims. As he has been deprived of the use of these funds since HSBC should have refunded him, I'm persuaded it should pay 8% simple interest per year on this amount. This is consistent with what a court would award where a claimant has been deprived of funds, as is the case here. It also follows our service's usual approach, which HSBC should be familiar with. I'm not persuaded HSBC has raised anything that shows this award would be unfair in the particular circumstances of Mr N's complaint.

Putting things right

To put things right, HSBC UK Bank Plc must refund Mr N for the payments he sent C – less the returns they paid into his HSBC account. It should pay 8% simple interest per year on this amount, running from 15 days after he first reported his scam claim to the date of settlement. This is to compensate him for the loss of use of these funds from the point at which it should have refunded him.

If HSBC UK Bank Plc considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr N how much it's taken off. It should also give him a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

In order to avoid the risk of double recovery, HSBC UK Bank Plc is entitled to take (if it wishes) an assignment of the rights to all future distributions in relation to the scam payments we're upholding that arise, such as from the police investigation and criminal proceedings, before paying the award.

My final decision

For the reasons given above, my final decision is that I uphold this complaint and direct HSBC UK Bank Plc to put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 14 January 2026.

Rachel Loughlin
Ombudsman