

The complaint

Mr B complains HSBC UK Bank Plc unfairly closed his account and applied a Credit Industry Fraud Avoidance System ('CIFAS'- the UK's fraud alert service) marker against his name.

What happened

The detailed background to this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

Mr B held a HSBC student account. On 28 September 2020 Mr B received a credit of £1,785 into his account. On the same day HSBC blocked the account as it had received a fraud report for the incoming funds. Mr B was informed on 29 September 2020 that he needed to attend branch with his ID to discuss the incoming funds and evidence of his entitlement to it.

Mr B attended branch on 14 October 2020 with his ID to discuss the payment. However, this wasn't sufficient and in January 2021 HSBC issued a notice to close letter with the account closing in March 2021. HSBC also loaded a CIFAS marker against Mr B.

In May 2025 Mr B discovered the CIFAS marker and raised a formal complaint about its application with HSBC. Mr B explained the marker had been unfairly loaded as he was not involved in any fraudulent activity. Mr B provided further supporting evidence. HSBC reviewed Mr B's complaint and evidence, and issued a response on 28 May 2025 explaining that its records revealed Mr B had been asked to attend branch, with further evidence but as this wasn't provided the account closed and the CIFAS marker loaded. HSBC provided details of the incoming payment to Mr B so he could provide details and HSBC said it would review its position.

Mr B submitted a data subject access request and reiterated his concerns to HSBC. In its response dated 30 May 2025 it explained that the account was closed fairly, and the marker was applied as no evidence was received to show his entitlement to funds. HSBC said between late September 2020 and March 2021 Mr B had an opportunity to provide evidence and he didn't, so its decisions from 2020 remained unchanged. The account would remain closed and it wouldn't be removing the marker.

Mr B didn't think this was fair and referred the complaint to our service. In his referral Mr B explained that he had received many account opening rejections, and he had assumed this was due to his credit file. However, in early 2025 Mr B realised this was actually due to the CIFAS marker that had been loaded against him in 2020.

An Investigator looked into Mr B's complaint and gathered the relevant evidence. Mr B provided information about his entitlement to the funds – explaining that he wasn't expecting the credit but due to his crypto trading at the time he moved funds from his account following its receipt.

The Investigator didn't think the complaint should be upheld. The Investigator explained this was because:

- The loading of a CIFAS marker was fair and HSBC had provided evidence to show the standard of proof had been met.
- Mr B says he wasn't expecting funds, but the swift transfer out following the incoming payments shows he had an awareness of the credit.
- Mr B's testimony and evidence wasn't sufficient in explaining the account activity and his entitlement to the funds.
- HSBC has said it will review any further substantive evidence Mr B can provide. This is a fair answer to Mr B's complaint.

Mr B disagreed and as no agreement could be reached, the case has been referred to me – an ombudsman – 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.

I appreciate Mr B was disappointed by the Investigator's opinion. I'd like to reassure Mr B that I've considered the whole file and what's he's said. But I'll concentrate my comments on what I think is relevant. If I don't mention any specific point, it's not because I failed to take it on board and think about it, but because I don't think I need to comment on it to reach what I think is a fair and reasonable outcome. No discourtesy is intended by me in taking this approach.

I would add too that our rules allow us to receive evidence in confidence. We may treat evidence from banks as confidential for a number of reasons – for example, if it contains security information, or commercially sensitive information. Some of the information HSBC has provided is information that we considered should be kept confidential. This means I haven't been able to share a lot of detail with Mr B, but I'd like to reassure him that I have considered everything that he's told us.

As a UK financial business, HSBC is strictly regulated and must take certain actions in order to meet its legal and regulatory obligations. It's also required to carry out ongoing monitoring of an existing business relationship. This includes establishing the purpose and intended nature of transactions as well as the origin of funds, and there may be penalties if they don't. That sometimes means HSBC needs to restrict, or in some cases go as far as closing, customers' accounts.

As part of these regulatory duties, businesses will use databases to share information. CIFAS is a fraud prevention agency, which has a large database on which information is recorded to protect financial businesses and their customers against fraud. When a bank is a member of CIFAS, it can record a marker against a customer when that customer has used their account fraudulently. This type of marker will stay on a customer's record for a specific period, depending on the customer's age and will usually make it difficult for that customer to take out new financial products. CIFAS forms an important part of the financial services regulatory framework and is intended to assist in the detection and prevention of financial crime.

In order to file such a marker, HSBC is not required to prove beyond reasonable doubt that Mr B is guilty of a fraud or financial crime, but it must show that there are grounds more than mere suspicion or concern. CIFAS says:

- There must be reasonable grounds to believe that an identified fraud or financial crime has been committed or attempted; and

- The evidence must be clear, relevant and rigorous such that the member could confidently report the conduct of the subject to the police.

What this means is that HSBC will need strong evidence to show that Mr B has used the account to receive fraudulent funds. A CIFAS marker shouldn't be registered against a customer who has acted unwittingly – there must be evidence of a deliberate fraudulent action. The application of a CIFAS marker can have serious consequences for an individual, so this service expects business to carry out a thorough review of the available evidence.

My role is to establish if HSBC has sufficiently demonstrated it has met the burden of proof set out by CIFAS to load the marker against Mr B. HSBC has provided this service with details of the investigation it carried out following the fraud report it received and Mr B's complaint. This included a detailed review of Mr B's account activity and testimony. At the time it loaded the marker against Mr B hadn't provided any details regarding the incoming credit and his entitlement to them. Mr B was told to attend branch with this, and had ample opportunity to present his case to HSBC, but I can't see that any steps were taken by Mr B. The lack of supporting evidence to corroborate the account activity means I think HSBC acted reasonably in loading the marker against Mr B based on the evidence it held.

However, when Mr B raised a complaint about the application of the marker a further review was carried out. At this stage HSBC said Mr B could submit evidence for its consideration, but again I can't see that anything substantive was provided. Mr B maintained he had no awareness of where the credit came from and that he wasn't expecting it. But he didn't provide any explanation as to why he didn't query the account closure, or why he didn't provide further details at the time the account closed, and the marker was applied. In his referral to our service Mr B has mentioned being a student at the time he received the incoming credit and says he was living in communal housing. Mr B says this could've left him vulnerable to unintentional account misuse. Mr B hasn't pinpointed a specific incident, but I don't consider this a factor that would change the loading. Mr B didn't report any issues with fraud or unauthorised transactions on his account. There is no evidence to suggest his account was compromised in any way, and Mr B has himself accepted that he made the transfers out of his account following the receipt of the fraudulent credit.

As part of our review, I've considered Mr B's account activity and his comments. The incoming payment was rapidly dispersed by Mr B to other accounts. Mr B says this was because he was dealing with crypto trading activities at the time. However, I find it highly unlikely that Mr B wouldn't have noted such a significant credit in and queried it at the time, especially in light of his immediate account activity following his receipt of the funds. Mr B's version of events doesn't explain the fraud report received by HSBC and I don't find his testimony to be persuasive.

Overall Mr B's comments don't allay the concerns regarding fraud and clearly show he is entitled to the funds. My review of this information, alongside the submissions made by HSBC to this service has led me to the same view reached by the Investigator. The evidence available equates to more than mere suspicion or concern of fraudulent activity. I therefore find that the marker was loaded fairly. It also follows that HSBC's decision to immediately close Mr B's account was fair and in keeping with the account terms and conditions. HSBC has confirmed it will not reopen Mr B's account or provide him a new one, and in light of the CIFAS loading I consider this to be reasonable and in keeping with its discretion over who to offer services to.

I appreciate Mr B will be disappointed with my decision and I fully appreciate the impact the fraud marker is having on him. But I am satisfied HSBC acted reasonably in taking this action to discharge its regulatory obligations. I hope my decision provides some clarity around why I won't be asking HSBC to take any further action.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 16 January 2026.

Chandni Green
Ombudsman