

The complaint

Mr M complains that HSBC UK Bank Plc hasn't reimbursed the money he's lost to a scam.

What happened

Mr M says he was introduced to a company I'll refer to as 'C' by a friend. In brief, C was claiming to offer investments in specific property units on the understanding they would be refurbished and rented out for social housing through councils and housing authorities who they held contracts with.

Mr M says he understood that C was government-backed. After reviewing C's website and checking its online reviews, Mr M decided to invest in one unit – he paid C £13,500 on 25 June 2024. Mr M received a £600 return from his investment in September 2024, but no further returns have been received, and C is now subject to an ongoing police investigation.

Mr M contacted HSBC to report that he'd been scammed – arguing that he should be reimbursed under the provisions of the Lending Standards Board's Contingent Reimbursement Model ('CRM Code'). Originally, HSBC said the matter was a civil dispute. It then said it was unable to provide Mr M with a definitive response to his fraud claim due to an ongoing police investigation into C.

Unhappy with this response, Mr M referred a complaint to this Service. Our investigator upheld it. They were persuaded there was enough evidence to demonstrate that Mr M's payment to C meets the CRM Code's definition of an Authorised Push Payment ('APP') scam without waiting on the outcome of the ongoing police investigation – and that Mr M is entitled to a full refund under the CRM Code. They said HSBC should also pay Mr M interest to compensate for the delay in refunding his financial loss.

Mr M accepted our investigator's findings, but HSBC appealed. In summary, it said that:

- the complexity of this matter means our Service shouldn't consider the complaint.
- it's reasonable to hold off on answering Mr M's CRM Code claim pending the outcome of the police investigation.
- it shouldn't be held liable for a failed investment scheme which it couldn't reasonably have detected or prevented with an effective warning.
- interest on any award should not be payable from the date of the payment as it couldn't have prevented it.

The complaint has now 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.

Having done so, I've decided to uphold it for the following reasons.

Mr M authorised the payment he is now disputing. The starting position in law is that he is liable for the payment. But HSBC was a signatory to the CRM Code, and it was in force when the disputed payment was made. Under the CRM Code, firms are generally expected to refund victims of Authorised Push Payment ('APP') scams.

Firms must normally respond to a claim under the CRM Code within 15 business days. But HSBC argues it is within its rights not to consider Mr M's scam claim at present in line with R3(1)(c) of the CRM Code, which says: *if a case is subject to investigation by a statutory body and the outcome might reasonably inform the Firm's decision, the Firm may wait for the outcome of the investigation before making a decision.*

However, this provision relates to delaying a decision under the CRM Code – whereas HSBC had already declined Mr M's scam claim. So, I don't think it can retrospectively use this as a reason to delay giving an answer.

There is an ongoing police investigation into C. And HSBC says it would be unreasonable to make a decision without waiting for it to conclude. However, the specific details of the police investigation haven't been shared with our Service. It's not clear whether any proceedings will concern charges that will have a significant bearing on the issues relevant to this complaint.

As HSBC is aware, any criminal proceedings that may take place in connection with C will be based on the criminal burden of proof – whereas our Service makes decisions on the balance of probabilities. And we don't know how long the investigation will take; it could be months or years.

In a similar vein, HSBC argues that our Service shouldn't consider this matter due to the complexity involved in determining whether C was a scam. But I'd point out that our Service must consider complaints quickly and with minimum formality. I don't think it would be appropriate to delay giving an answer on this complaint, for an undefined period of time, unless doing so is likely to significantly help me decide this issue.

What I need to decide here is whether, on balance, C scammed Mr M. As R3(1)(c) explains, firms can only hold off on giving an answer under the CRM Code if the outcome of an ongoing statutory investigation might reasonably inform its decision. In looking at the information we already know about C, and Mr M's dealing with them, I'm not persuaded the outcome of the police investigation is likely to have a bearing on this decision.

Overall, I'm persuaded it's appropriate for us to look into this complaint – and I'm satisfied there is already enough to show the payment in question meets the CRM Code's definition of an APP scam, so HSBC should've refunded Mr M when he first raised this claim. 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 that Mr M 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 Mr M's when the payment was made – and, if not, whether this was the result of a dishonest deception by C. For the following reasons, I'm persuaded that C fraudulently deceived Mr M into making the payment.

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. Given C's standard unit price of £13,500, 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 ('CH') 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 M's funds for genuine property development investments.

Turning back to C's accounts, we can see around a third of 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 for which the purpose 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 that C was 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 wasn'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 M's payment to C meets the CRM Code's definition of an APP scam – and it's unlikely the outcome of the police investigation will impact this.

The starting position under the CRM Code is that firms should refund victims of APP scams – as I've determined Mr M was. However, there are some exceptions under the rules 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.

I agree with the investigator's arguments about why Mr M had a reasonable basis for belief when he made the disputed payment. He was introduced to the investment by a friend, and current investor. He reviewed C's website and checked its online reviews before investing, and he understood from his research that people were receiving returns and C was government-backed. I've also seen that he was given professional and convincing literature and signed/received the documentation you might expect with a genuine investment.

There weren't obvious public concerns about C at the time, and C was properly registered on CH. So, it's not clear what further due diligence Mr M could've done that would've had a material impact on preventing the scam.

Overall, although there may well have been more checks Mr M could've carried out, I think it was *reasonable* for him to believe in the legitimacy of the investment opportunity in the circumstances, and I'm not persuaded that any of the additional checks Mr M could've carried out would've caused him concern.

I've looked at the warning HSBC says it gave Mr M during the payment journey, to consider whether the warning meets the CRM Code's criteria for an effective warning – including being impactful; (i.e. positively affecting the likelihood of the scam succeeding) – and I'm not persuaded that an effective warning was given for the reasons already set out by our investigator. The warning didn't warn Mr M of factors relevant to the scam he was a victim of – it touched on a victim being told to lie to their bank about the payment reason, pressurised sales tactics and fraudsters using social media to build up relationships with their victims. But none of this was applicable in Mr M's circumstances.

The warning prompted Mr M to check the Financial Conduct Authority ('FCA') register, and it's not clear whether Mr M did. But I don't think C's absence from the FCA register would've made it clear it was operating a scam anyway. It's not clear that the type of investment C was offering (providing social housing) would've required regulation. And the information Mr M would've seen if he'd checked the FCA register doesn't say that any company that's not on the register is a scam; it sets out several potential reasons why a company might not be listed, including that the FCA may not regulate the product or service the company is offering.

I therefore think that HSBC should refund Mr M's financial loss to this scam, as I'm not persuaded it has shown any exceptions to reimbursement apply under the CRM Code.

Putting things right

To put things right, HSBC should refund Mr M's payment to C (less any sums already recovered or returned to Mr M from the scam).

HSBC should pay 8% simple interest per annum on this amount, from the date his CRM Code claim was initially declined to the date of settlement. This is to compensate Mr M for the loss of use of these funds from the point at which they should have been refunded.

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

paying the award.

My final decision

For the reasons I've explained, my final decision is that I uphold this complaint and instruct 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 M to accept or reject my decision before 29 December 2025.

Kyley Hanson
Ombudsman