DRN-5780499

The complaint

Mrs M and Mr O complain that HSBC UK Bank Plc won't reimburse the money they've lost to a scam.

What happened

Mrs M and Mr O say they've fallen victim to a cryptocurrency investment scam. In July 2021, they sent the payments in the table below to an individual's account. I'll refer to the individual as 'J'. Mrs M and Mr O have told this Service that J was their 'uphold' and it was agreed that J would convert their money into cryptocurrency to invest with a company I'll refer to as 'H'. H was operating a scam.

Payment number	Date of payment	Amount of payment
1	29 July 2021	£6,500
2	30 July 2021	£655

Mrs M and Mr O reported the fraud to HSBC in March 2024. HSBC was unable to recover their funds from the receiving account, and it has declined to reimburse their loss under the Lending Standards Board's Contingent Reimbursement Model ('CRM Code'), because it says this matter is a civil dispute.

Our investigator considered this case but didn't think it should be upheld. Mrs M and Mr O asked for an ombudsman's final decision, so the case was passed to me to decide.

My provisional decision

I issued my provisional decision on 12 August 2025. I'll set out my findings below.

I can't say with any certainty that the disputed payments were invested with H and/or lost to a scam. On that basis, I couldn't fairly or reasonably require HSBC to reimburse them. However, for the purposes of this decision, I can broadly accept that it's most likely the disputed payments were sent to an individual linked to H before being converted into cryptocurrency and invested with H as Mrs M and Mr O have said. However, I'm still not persuaded that HSBC should be held liable for the loss of them in that case. I'll explain why.

The starting point at law is that Mrs M and Mr O are responsible for payments made from their account which are properly authorised. This is set out in the Payment Services Regulations. There's no dispute here as to authorisation – Mrs M and Mr O made the disputed payments, and they went to J as intended. However, where a customer has made a payment as a consequence of the actions of a fraudster, it may sometimes be fair and reasonable for a firm to reimburse that customer even though their payment was authorised.

HSBC was a signatory of the CRM Code, and it was in force when the disputed payments were made. The CRM Code was in place to see the victims of scams refunded in most circumstances. But I'm not persuaded it applies to the disputed payments. That's because they don't meet the definition of an Authorised Push Payment ('APP') scam.

The CRM Code states that it applies to payments where, "the customer transferred funds to another person for what they believed were legitimate purposes, but which were in fact fraudulent."

The CRM Code also says that it doesn't apply to private civil disputes, such as where a customer has paid a legitimate supplier for goods or services but has not received them, they are defective in some way, or the customer is otherwise dissatisfied with the supplier.

I have no doubt that Mrs M and Mr O believed the other person – J – was legitimate. But there's nothing to suggest that the purpose of making the disputed payments to J wasn't legitimate too, as opposed to fraudulent. Mrs M and Mr O's dealings in relation to the disputed payments were with J. It was J they were in communication with and J they paid their money directly to. The available evidence indicates that J converted Mrs M and Mr O's money into cryptocurrency for them as agreed (although I don't know what happened to their money after it was converted). I think it's most likely that J was caught up in H's scam too, and Mrs M and Mr O had a genuine relationship with J. I haven't seen any persuasive evidence which suggests that J deceived Mrs M and Mr O into parting with their money.

So, overall, I'm not persuaded that the purpose of Mrs M and Mr O's payments to J was illegitimate, or that any of the involved parties here intended a different purpose for the disputed payments. For that reason, I think HSBC has acted reasonably in saying the circumstances of this case don't meet the definition of a scam as set out in the CRM Code, and in declining to reimburse Mrs M and Mr O's financial loss as a result.

Looking beyond the CRM Code, at a firm's responsibilities to protect customers from financial harm through fraud, I can still not find reason to say HSBC ought to bear responsibility for Mrs M and Mr O's loss. The reasoning here is broadly the same as above, given the disputed payments wouldn't be defined as being made as part of an APP scam. But, beyond that, I've seen that HSBC didn't intervene with payment 2, and I don't think it had cause to. But it intervened proportionately with payment 1 as I might expect to see and, considering what the bank knew about the payment and the information it was given during the intervention, I think it's reasonable for it to have been satisfied that the payment didn't present a heightened fraud risk and to have let it go. I'm not persuaded that HSBC ought to have, or could reasonably have, uncovered that an APP scam was taking place.

As for attempts to recover funds, I've seen that HSBC contacted the receiving bank on the same day Mrs M and Mr O's fraud claim was raised. But no funds remained to recover. And, in any event, such attempts would only go so far as the account that received the disputed payments if a scam were established, that being the one held by J. And J transferred Mrs M and Mr O's money on as intended, which meant there was nothing left to recover.

For the reasons I've explained, I've provisionally decided not to uphold this complaint.

Responses to my provisional decision

HSBC didn't respond to my provisional decision.

Mrs M and Mr O disagreed with the provisional outcome and said, in summary:

- The disputed payments were made on the basis of fraudulent misrepresentations. They were induced into transferring funds on the understanding that they were entering into a legitimate investment opportunity with H. The purpose of the disputed payments was not merely to have cryptocurrency converted by J – it was to invest with H. They were not seeking cryptocurrency conversion services in a standalone capacity – this was merely a step in the scam process. The end purpose was an investment which never existed in any legitimate form. This is consistent with the CRM Code's definition of an APP scam. Whether or not J was also deceived is not relevant.

- No exception to reimbursement applies here under the CRM Code.

- HSBC's intervention with payment 1 was insufficient, and there was no intervention on payment 2.

- This matter is not a civil dispute – they were fraudulently misled into transferring funds for a fictitious investment.

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 Mrs M and Mr O's strength of feeling in this matter, and I've carefully considered what they've said. But they haven't provided any new material evidence or information which I haven't already had the opportunity to think about. So, I'm not persuaded to depart from the conclusions I set out in my provisional decision.

It remains the case that I can't say with any certainty that the disputed payments were invested with H and/or lost to a scam, and I couldn't fairly or reasonably require HSBC to reimburse them on that basis alone.

But, in any event, I still don't think HSBC could fairly be instructed to reimburse the disputed payments because of any obligation under the CRM Code, because I think it's unlikely that the individual they transferred their funds to deceived them into parting with their money, set out to scam them, or intended a different purpose for the funds transferred to them.

Also, I still do not consider that HSBC ought to have, or could have, taken any additional action that would most likely have prevented Mrs M and Mr O's financial loss, or led to the recovery of their funds.

My final decision

For the reasons I've explained, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M and Mr O to accept or reject my decision before 25 September 2025.

Kyley Hanson
Ombudsman