

The complaint

Mrs R complains HSBC UK Bank Plc won't refund the money she lost to what she believes was an investment scam.

In bringing this complaint Mrs R is supported by a professional representative, which I'll refer to as 'R'.

What happened

The background to this complaint is familiar to both parties, so I'll only refer to some key facts here.

Mrs R says, while looking for properties to buy, she saw an online advert for a property investment company I'll refer to as 'L'. Mrs R made contact with a company marketing the investment and learned that L was offering investors the opportunity to invest in luxury lodges, which was part of the wider development of a holiday resort.

Mrs R said she was persuaded to invest as she was reassured that it was a safe investment, which would provide a good return.

Investors were told they would receive an annual return of 8% on their investment (paid quarterly), plus 110% of the original investment paid back after five years as part of a compulsory buy-back clause.

In June 2021, Mrs R made payments totalling £15,450 from her HSBC bank account to L. This was part of a larger investment Mrs R was making jointly with her mother, with payments made from another bank account Mrs R held elsewhere, which is the subject of another complaint I will consider separately. She received returns (totalling £13,941) between December 2021 and April 2024.

In April 2024, L contacted all investors to advise that payments would be late. Mrs R was later contacted by the company that sold the investment advising of ongoing issues with L. Mrs R was added to a group chat among investors where it was alleged L was operating a scam.

Mrs R asked HSBC to reimburse her losses under the Contingent Reimbursement Model (CRM) Code. HSBC said it had acted appropriately in processing Mrs R's authorised payments. It said it had provided Mrs R with an effective warning at the time of the payment, but that she had made the payments without carrying out any precautionary checks on what she was being told. It noted the rate of return offered was too good to be true. It also noted that Mrs R had proceeded without seeking any guidance from a financial adviser or relevant professional. It also considered Mrs R's loss stemmed from a civil dispute, rather than a scam, and advised Mrs R to contact L. Unhappy with HSBC's response, and with support from R, Mrs R referred her complaint to the Financial Ombudsman.

Our Investigator didn't uphold the complaint. While she noted that it was a complex and evolving situation, she was not persuaded there was currently sufficient evidence to support

a conclusion that Mrs R had lost money to a scam. As such, she considered HSBC had acted reasonably by refusing to reimburse Mrs R's losses.

R disagreed and presented further evidence that it considered demonstrated the investment opportunity was in fact fraudulent. It summarised the evidence under the following grounds:

- Administrators had shared the view that the investment scheme had hallmarks of a sophisticated investment fraud;
- large sums of investors' money had been transferred to other companies associated with L, and L's director, and which was now unaccounted for, but which didn't appear to have been used as investors expected;
- the investment had been misrepresented as "*Fully Asset Backed*", creating the impression that investors would own land and the lodge built on it, when L knew this was not the case.

Our Investigator explained why, despite the further evidence presented by R, she was still not persuaded there was sufficient evidence to reach a conclusion that L was operating a scam, such that HSBC would be required to reimburse Mrs R's losses under the CRM Code. In summary, she said:

- the Administrator had been clear that his investigations were still ongoing and that he did not have information about all companies involved in the scheme and so could not see how all funds obtained from investors had been used. While there were hallmarks of a possible fraud, there was insufficient evidence to conclude it was more likely than not fraud. There were other explanations for the issues identified – such as poor administrative practice or bad business practice, which would not meet the bar of fraud - which were equally likely.
- While investor funds were received before land had been acquired, and after an associated company went into liquidation, this could have been for legitimate reasons. And without further evidence of what happened to investor funds it's not possible to determine that L intended to scam investors.
- Although the Administrator had made comments that sales agents had falsely claimed investors would own a unit or land (neither of which were true), there was insufficient evidence to show that L had made dishonest statements to investors, or that it did so in order to defraud investors.

R disagreed. It said it would make further enquiries to obtain relevant account information to determine that investor money wasn't used for the intended purpose. But it considered there was already sufficient available evidence to prove that L had directly misled investors with the promise of security for the investment by way of land ownership, and that this did not just come from third party introducers.

The complaint was passed to me to decide. I issued a provisional decision on 12 November 2025, setting out why I wasn't minded to uphold Mrs R's complaint. For completeness, I repeat my provisional findings below:

"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'm currently minded to reach the same outcome as our Investigator and for largely the same reasons. I realise this will come as a disappointment to Mrs R but based on the evidence that is currently available and for the reasons I'll set out, I don't think HSBC is required to reimburse her losses under the CRM Code.

I'm aware I've summarised this complaint and the relevant submissions briefly, in much less detail than has been provided, and in my own words. No courtesy is intended by this. In this decision, I've focussed on what I think is the heart of the matter here. Therefore, if there's something I've not mentioned, it isn't because I've ignored it - I haven't. I'm satisfied I don't need to comment on every individual point or argument to be able to reach what I consider is the right outcome. Our rules allow me to do this, reflecting the informal nature of the Financial Ombudsman as a free alternative to the courts.

My role is to consider the evidence presented by the parties to this complaint and reach what I think is a fair and reasonable decision, based on what I find to be the facts of the case.

I acknowledge the complexity of this case. I am aware that multiple investors have brought claims that they lost money after investing with L, and associated companies. I'm also aware there are other interested parties, including liquidators and the police, who are currently conducting various reviews and investigations; the timelines and outcomes of which are currently unknown. I'm therefore conscious that new information may become available at some point in the future, which may shed more light on the situation than is currently known. But I can only conclude this case based on the information that is currently available to me. I do not think it would be in the interest of fairness to delay reaching an outcome in this case in the hope of receiving further evidence at some unspecified date in the future which may impact my findings.

Should materially new evidence come to light after I have reached this decision, Mrs R would be entitled to ask HSBC to reconsider a claim under the CRM Code, and she could ultimately refer any resulting complaint to the Financial Ombudsman.

The CRM Code

In broad terms, the starting position in law is that a bank is expected to process payments and withdrawals that a customer authorises, in accordance with the Payment Services Regulations and the terms and conditions of the customer's account. However, where the customer made the payment as a consequence of the actions of a fraudster, it may sometimes be fair or reasonable for the bank to reimburse the customer even though they authorised the payment.

HSBC was a signatory to the voluntary CRM Code, which provided additional protection to scam victims while it was in place. Under the CRM Code, the starting principle is that a firm should reimburse a customer who is the victim of an Authorised Push Payment (APP) scam (except in limited circumstances). But the CRM code doesn't apply to all APPs which ultimately result in a loss for the customer. It only applies if the definition of an APP scam is met. Here the relevant definition is set out in DS1(2)(a)(ii) of the Code:

"Authorised Push Payment scam, that is, a transfer of funds...where [...]

(ii) The customer transferred funds to another person for what they believed were legitimate purposes but which were in fact fraudulent."

The CRM Code is explicit that it doesn't apply to "private civil disputes, such as where a Customer has paid a legitimate supplier for goods, services, or digital content but has not received them, they are defective in some way, or the Customer is otherwise dissatisfied with the supplier." This would include a failed investment.

In reaching my decision on this complaint, I've considered Mrs R's purpose in making the payments and L's purpose in receiving them. If there is a significant difference in these purposes, I have considered whether I can be satisfied that this was because of dishonest deception.

It appears that Mrs R's purpose for making her payments was to invest in the development of a luxury holiday lodge resort. In return for her investment, Mrs R expected to receive an annual return for 5 years, followed by an additional 10% profit on her capital in year 5. From what I have seen I have no doubt that Mrs R believed this was a legitimate venture. I accept that L failed to deliver what was expected from the investment which has led to Mrs R not receiving the returns she expected, as well as the loss of her initial capital investment. But I haven't seen sufficient persuasive evidence to show this was always what L intended; or that at the time of the payments, L planned to use Mrs R's funds in a different way to what had been agreed.

There is evidence to support that L, and its associated companies, had broadly the same purpose in receiving funds. In simple terms, the evidence shows that L:

- *owned the site to be developed and had, or sought, planning permission to build and develop holiday lodges on it;*
- *had formed relationships with other companies, seemingly with the intention of carrying out the development, each of which had been incorporated in the years prior to Mrs R's investment;*
- *installed a number of lodges, which were being let as intended and had received positive online reviews.*

*Overall, while it's evident L did not achieve its full stated plans, it appears, at least on the face of it, to have started developing the land and letting holiday lodges as it had told investors. As such, there is a *prima facie* case to say that it was a legitimate business which ultimately failed and not a scam.*

To reach an alternative conclusion, I would need to see clear compelling evidence which demonstrated that not only was L not acting as investors intended, but that its purpose in doing so was fraudulent.

I accept there are some issues which have understandably caused investors to have concerns about the legitimacy of the investment scheme and the intentions of L when receiving their funds. And while I will address these in further detail below, overall, I am not persuaded there is currently sufficient evidence to say it's more likely than not L's purpose in receiving payments was fraudulent, or that it was operating a scam.

Security of investment

R considers L misrepresented the nature of the investment, such that investors were falsely led to believe they would acquire ownership of the plot of land on which the lodges sat, and possibly ownership over the lodge itself. R has made the case that investors were therefore falsely induced into the investment believing their funds were secured against land and/or property, when L knew this was not the case.

In support of this, R has referred to brochures which state the investment was "fully asset backed", as well as other correspondence which refer to "Certificates of Ownership". R has also highlighted some correspondence where reference was made to investors acquiring the "freehold" to land - which we know was not possible – although this claim was not made by L.

Having reviewed the documentation Mrs R was provided as part of the investment, I accept there is ambiguity about what she specifically obtained as part of the investment. Emails from the sales agents refer to the "Lodge Purchased". And when entering into the investment, Mrs R signed a "Lodge Plot Agreement", which refers both to the buyer agreeing

to purchase “the Plot” and at other times to the buyer agreeing to purchase “the Lodge”. Neither term has been properly defined. But while I accept there is ambiguity, and arguably misrepresentations, within the documentation, I have not seen evidence to demonstrate this was done with fraudulent intent.

Ultimately, I do not know why the information within Mrs R’s documentation is ambiguous and/ or inaccurate. While it is possible the basis of the investment was deliberately misstated to coerce prospective investors into an investment that would never be fulfilled, it could equally be due to poor business practice and/or administrative errors. I have noted that later Investors with L were provided with different documentation, which appear to remove reference to ownership of the “Lodge” itself. I think this could suggest L recognised an error and sought to correct it in future agreements, or it could suggest it was covering up earlier fraudulent misrepresentations. But ultimately, I don’t think I can safely determine which is more likely, based on the evidence that is currently available to me.

While the issues identified in the agreement may give rise to a contract dispute between Mrs R and L, this is by its very nature a civil dispute, which as set out above is excluded under the CRM.

In any event, there has been no suggestion that Mrs R intended to make use of the lodge herself, or that she expected to be able to sell it outside the terms of the compulsory buy-back term of the agreement. Ultimately, I’m satisfied that Mrs R’s purpose in making payments to the investment was to earn a return on her investment capital, which would be generated from the development of the holiday lodge site.

As I have set out above, the evidence presented in support of this complaint does not sufficiently demonstrate that L did not intend to develop the site as advertised, with the profits being returned to investors as agreed. As such, I cannot reasonably conclude that L made a fraudulent misrepresentation.

Use of funds

I appreciate there have been questions over how investor funds were used - especially given the development was not completed as expected – and much is still unknown. But in the absence of clear evidence, I cannot safely conclude that investor funds weren’t used as intended.

As our Investigator has addressed in some detail, while I appreciate the Administrator has raised some concerns that the investment had some hallmarks of a “possible fraud”, he also made it clear that he did not have a complete picture of where funds had gone or how they were used. He noted the need for a much wider investigation, involving various associated companies, to gain a true understanding of how investor funds were spent. Without all the relevant information the Administrator could only speculate about the possibility of fraud. This full information about how investor funds were used is still unavailable, and as such, I am in no better position than the Administrator to conclude that it is more likely than not a scam.

Ultimately, Mrs R made payments to L as part of a holiday lodge rental investment and the evidence presented to our service doesn’t sufficiently demonstrate that L didn’t have the intention of carrying out and completing the developments at the time of the payments. Because of this, I’m not satisfied that Mrs R’s claim meets the CRM Code’s definition of an APP scam.

Mrs R’s circumstances at the time of payments

Mrs R has shared with us some information about her personal circumstances, including various health concerns, that were relevant to the time she made her payments to L and which she considers made her more vulnerable. I'm sorry to hear about the difficulties Mrs R has faced, and I appreciate the impact of losing money to L has no doubt exacerbated an already difficult situation.

There are provisions under the CRM Code which address consumer vulnerability, specifically R2(3), which requires firms to provide a reimbursement to vulnerable consumers notwithstanding whether any of the exceptions to reimbursement apply. But this only becomes relevant if the CRM Code otherwise applies, which as I've set out above, I'm not persuaded it does.

As such, while I'm sorry to hear of the difficult circumstances Mrs R has faced, and continues to face, I'm not persuaded this is sufficient reason to require HSBC to reimburse her losses.

Should HSBC have prevented Mrs R's loss?

Lastly, I've considered whether HSBC could've done any more at the time of the payments to prevent Mrs R's loss.

HSBC has evidenced that it intervened before processing Mrs R's first payment to L. Mrs R was asked for the purpose of her payment and was then presented with an onscreen warning about investment scams; what to look out for and what steps could be taken to minimise risk. HSBC has said that having been presented with this warning, Mrs R continued with the payment.

While I may have expected HSBC's intervention to have gone further than it did, given the value of Mrs R's payment in comparison to her usual account activity, I'm not persuaded that proportionate intervention from HSBC at the time would have identified any concerns that she might be at risk of financial harm. So, I can't fairly say HSBC could've prevented Mrs R's loss at the time.

Overall, I'm not persuaded that Mrs R has fallen victim to an APP scam, based on the evidence available. I've no doubt that this will be extremely disappointing to Mrs R, given the loss she's suffered and the impact it has undoubtedly had on her, but I'm unable to say that HSBC is liable to reimburse her loss.

Should any material new evidence come to light at a later date, for example from the police or the administrators, Mrs R can ask HSBC to reconsider her claim. But, as it stands, I can't fairly say it should reimburse her loss under the CRM Code."

R responded on Mrs R's behalf asking that I delay reaching a final decision on this complaint until it has obtained bank statements from a company associated with L, which it believes will demonstrate that investor funds were not used as intended. It also provided an update from the police which confirms that a further three suspects have been arrested on suspicion of fraud and money laundering offences. It said this evidence should be considered rationally alongside other indicators this is a scam, and said the police investigation would not have resulted in further arrests if it didn't think fraud had occurred.

While I have noted R's request that I delay reaching an outcome, for the reasons I'll go to explain, I think it is in the interest of fairness to all parties that I decide the case now. Should new evidence emerge – such as the bank account statements and/or the outcome of the police investigation - Mrs R can ask HSBC to reconsider her CRM claim.

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.

As R has not made any comments or raised any specific objections to the conclusions reached in my provisional decision, I see no need to repeat them here, save to say my provisional conclusions still stand.

In this final decision, I will focus on why I consider it appropriate to determine this complaint now; and why the new evidence presented does not lead me to conclude that HSBC acted unreasonably in refusing Mrs R's claim for reimbursement under the CRM Code.

Why is it fair I determine this complaint now?

I think it is important to explain that my role in considering this complaint is to determine whether HSBC's refusal to reimburse Mrs R's losses under the CRM Code was ultimately fair and reasonable in the circumstances.

In deciding that, while I must consider what evidence exists to demonstrate that a scam has more likely than not taken place - as this is something HSBC needed to consider when reaching its CRM claim decision - it is not my role to ultimately determine if L was operating a scam. My focus is on whether HSBC reached a reasonable conclusion at the time it declined the claim, considering what evidence was available to it.

HSBC ultimately reached an outcome when it issued its final response on 12 December 2024. While I accept that evidence may come to light in the future which could show that L was more likely than not operating a scam, it would not be fair or reasonable to conclude that HSBC reached an unfair outcome based on evidence that was not available to it at the time, and which still has not been provided nearly a year later.

However, should new evidence come to light Mrs R can present this to HSBC for further consideration. If Mrs R is ultimately unhappy with its revised CRM claim decision, she can refer a complaint to this service for consideration.

Does the new evidence demonstrate that L was more likely than not operating a scam?

I'm grateful to R for sharing the most up to date information it has received from the police investigation. I can understand why the news that further arrests have been made may seem to investors conclusive that a scam has taken place. But while I do not doubt it indicates potential wrongdoing (I'm mindful that individuals have only been arrested and not charged at this point), I do not have sufficient information or evidence to reach a conclusion that it is more likely than not that L was operating a scam – although I also do not rule it out as a possibility.

The update from the police is understandably limited in what information has been shared. Crucially, I do not know which individuals have been arrested and therefore I do not know what if any connection they had to L; while the police have revealed that arrests relate to fraud and money laundering offences, I do not know specifically what these charges relate to, including the timeframe in which the offences are alleged to have taken place. As such, while I can understand why this information was highlighted to us, it is not sufficiently persuasive to conclude that L was most likely operating a scam.

As such, while I realise this will be disappointing for Mrs R, I'm not persuaded on balance – and at this time - that Mrs R has lost money to a scam. So, I'm unable to say that HSBC are

liable to reimburse her under the CRM Code.

My final decision

For the reasons set out above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R to accept or reject my decision before 30 December 2025.

Lisa De Noronha
Ombudsman