

The complaint

Mr A is unhappy that HSBC UK Bank PLC (trading as First Direct) won't reimburse him after he reported being the victim of a scam.

What happened

Both parties are aware of what happened, so I will provide a brief summary.

On 5 November 2022, Mr A entered into an agreement with a business I shall call 'L'. Mr A says it was agreed that L would professionally edit his manuscript, publish his book and take care of the marketing. It was agreed that Mr A would pay half of the costs.

Before signing the agreement, Mr A met with one of L's directors at their distribution centre as he wanted to see if it was genuine. Mr A says he was disappointed to be taken to what appeared to be a shared meeting room by all the firms in the building. When Mr A challenged the director about this, the director told him that they outsourced distribution so there was nothing to see. Mr A did challenge this and thought the director turned "quite nasty" but he did end up signing the agreement.

On 11 November 2022, Mr A made a faster payment of £1,487 to L.

Mr A chased the progress of the editing process in April 2023 and September 2023 but was told it could still take several months.

Mr A said he realised he had been scammed when he found a private group about L and read about other people's negative experiences.

Mr A reported the matter to HSBC but it declined to reimburse him under the relevant fraud and scams rules as it said L was a genuine company. Mr A was unhappy with this and raised a number of arguments as to why this wasn't the case. As HSBC and Mr A couldn't reach an agreement on the matter, Mr A brought the complaint to the Financial Ombudsman Service to consider.

Our Investigator considered everything and said it was fair for HSBC not to reimburse Mr A. He thought the matter was a civil dispute as there wasn't enough evidence to suggest a scam had taken place. But he also said he was aware that Trading Standards is taking L to court in 2028, so if any new material evidence comes to light about L, Mr A could contact HSBC again to reconsider.

Mr A disagreed and requested a final decision as the final stage in our process.

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.

In deciding what's fair and reasonable, I'm required to take into account relevant law and regulations; regulatory rules, guidance and standards; codes of practice; and, where appropriate, what I consider to have been good industry practice at the time.

At the time of the payment, HSBC was a signatory to the Lending Standards Board's Contingent Reimbursement Model Code ('the CRM Code'). The CRM Code did provide reimbursement to some victims of Authorised Push Payment ('APP') scams, but it did not always apply.

The CRM Code specifically says it doesn't apply to *"(b) 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;"*.

HSBC asserts that what happened is a civil matter, so it is declining to reimburse Mr A on this basis.

However, as Mr A disagrees and believes he did fall victim to a scam, I will make a finding on if I think a scam occurred or not.

I recognise that Mr A has gone into a lot of detail in his submissions, but I want to be upfront with him that I won't be responding to every point raised and it won't be in as much detail as he has provided. This is because, even though I have considered everything he has sent in, I want to focus on what I consider to be the relevant issues which get to the heart of the matter. The rules which govern the Financial Ombudsman Service allow me to do this in order to fulfil our function of being a free and informal alternative to the courts.

What is a scam according to the relevant rules?

The relevant section of the CRM Code defines an APP scam as:

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

So for me to find that Mr A had been the victim of a scam, rather than a civil dispute, I would need to be satisfied that:

- (a) There was a misalignment between Mr A's purpose for making the payment and the directors of L's purposes for procuring the payment; and
- (b) The difference between the two purposes must be due to dishonest deception on the part of L's directors

One of the key considerations here is thinking about what were L's directors' intentions from the start of the process – did they intend to dishonestly deceive Mr A about their purpose in taking Mr A's money? Specifically, did they never intend to publish his book?

I appreciate there are challenges in establishing what another person's intentions were and that I cannot know for sure. So, I must consider all the available evidence and weigh this up in order to decide on balance what I think L's directors' intentions are likely to have been.

I also want to make it clear that the threshold for me saying fraud has occurred is a high one, (though not as high as in criminal proceedings). My role is to decide if I think fraud is more likely than not to have happened. It isn't enough for fraud to be one of a number of plausible theories for what happened, it has to have been more likely than not to have occurred.

Having looked at everything submitted, I don't have enough evidence to say on balance that fraud occurred. I know this isn't what Mr A wanted to hear, but I'll explain my reasoning below so he can see how I have reached this conclusion.

Looking at L's history on Companies House, I can see the company was incorporated in July 2013, almost 10 years before the event being complained about. This is a long time for

a scam company to operate without detection. Whilst Mr A makes a valid point when he says a company being on Companies House doesn't necessarily mean it's legitimate, there is a stronger case for saying a company is legitimate when it has been operating for a long time.

I also note that L had successfully published a number of books which have been made available to purchase from a number of retailers. It appears that L published books in 2022 (when Mr A made his payment), and published books in 2023 and 2024 albeit in lower quantities. So it's more difficult for me to say a scam has occurred when L had been providing some customers with the services it had been paid for.

I can see Mr A entered into a contract with L, which set out the terms of the agreement. I understand there are clauses within L's standard contract that others have had issue with and that L has sought, potentially unfairly, to rely on. And, in Mr A's case, L also didn't fulfil its obligations under the contract to publish his book. So, I can certainly understand why Mr A would consider L has scammed him. But a contractual dispute doesn't necessarily indicate that L never intended to carry out the agreed actions to publish Mr A's book.

I think there are two possible explanations for why Mr A's book wasn't initially published in the time given. It's possible that L never intended to publish it and simply stole his money, which is what Mr A believes has happened. But I also have to weigh up and consider the possibility that L had the intention of publishing the book, but was unable to satisfy its contractual obligations due to other reasons – such as having taken on too much work or having a severe cashflow problem as two possible examples. The Financial Ombudsman Service has previously seen evidence of an email from L (dated March 2025) in which it states that it was the victim of a substantial theft, orchestrated by a former employee, between 2023 and 2024. If this is true, then it would likely have had serious implications for L's ability to meet its contractual obligations with Mr A and other customers. I think these other compelling reasons make it harder for me to decide that it's more likely than not that fraud occurred.

The Financial Ombudsman Service has reviewed L's statements, and observed transactional activity that's consistent with L having been a legitimate publisher. It appears L was receiving funds from an online retailer and passing funds on to authors it had successfully published books for. There are also payments which appear to relate to L hosting book events, which also could indicate L was legitimate.

However, I am also aware that there was a substantial amount of personal expenditure that doesn't appear to relate to book publication or marketing and funds have been withdrawn to third party accounts in the names of L's directors. Also, the statements seemed to suggest that L entered into a large number of contracts and received a high number of payments, yet we are aware that L only published a small number of books in 2022 (and onwards).

I have also seen an online article about L, which supports Mr A's claims that there are many individuals who paid L without their books being published. Other individuals have claimed their books were published by L, but they haven't received any royalties.

The online article is highly critical about how L was treating its customers. The article references why customers were unhappy, citing lengthy publication delays, silence on the editing process, refusal of termination notices, lack of communication, absent e-book issues and threats of legal action in response to complaints. It also references L's contract evolving over time with the article suggesting it was done in order to protect itself from author complaints whilst keeping the intellectual property rights to its customers books.

But it does also note that books were published and available on two well-known retail platforms albeit with limited stock and delivery lags. It also notes that 44 books were

published in 2022, with that number dropping in 2023. I also note that L responded in some detail to the article stating, in part, “*there is no evidence that [L] has engaged in any dishonest or unlawful behaviour or conduct.*” So, while there are certainly poor business practices seemingly at play, it does not conclusively evidence that L set out with intent to defraud Mr A and never intended on publishing his book. Again, a possibility was that it was poorly ran, both financially and operationally and subsequently struggled in 2023.

I also acknowledge that L was investigated by, and the focus of, a national television show. The show highlighted that L’s contracts allowed it to keep customer’s funds if customers decided to terminate the agreement and L retained the rights to publish the books regardless. It didn’t go as far as to say L had taken customers’ funds with no intention of publishing their books and the allegations made within the show focus more on unfair contractual terms, rather than suggesting L was a scam.

Whilst I appreciate the online article and television show paint L in a bad light and allege questionable business practices, they don’t conclusively demonstrate that L’s directors had no intention of publishing Mr A’s book – or other individuals that paid it for this service.

I’m aware that one of L’s directors had attempted to conceal their true identity. I can understand why Mr A would reasonably draw negative inferences from this – in light of his experience with L. But the individual was previously convicted of other crimes (extremely serious, but not related to fraud) and so was potentially attempting to hide their identity from customers due to their past, rather than because they were trying to defraud them.

Across all the information I’ve seen, it does appear that L was operating with sharp business practices, such as potentially using fake online reviews, claiming to have a distribution centre when it didn’t, inserting unfair terms into its contracts, responding with hostility to customers who wrote negative reviews about it online. However, I’m not persuaded this is sufficient to say L’s directors were not intending to publish Mr A’s book, especially when it had published books for other authors prior to and after Mr A’s payment was made.

I’m also aware that L has been the subject of a criminal investigation and its former directors are due to stand trial in the future. However, the details of that investigation haven’t been shared with the Financial Ombudsman Service. So, whilst I appreciate Trading Standards believe there is a case to prove wrongdoing on behalf of L, I don’t know which offences Trading Standards has accused L of committing. As Trading Standards can prosecute for a range of offences, some of which don’t concern dishonesty, I am limited in what I can infer from the fact there will be an upcoming trial.

Overall, I don’t have enough evidence to say fraud was more likely than not to have happened here. But it may be that circumstances change in the future and that new material evidence may come to light, for example after L’s court case. Should that happen, Mr A could approach HSBC with any new material evidence and ask it to reconsider his claim for reimbursement under the CRM Code.

My final decision

My final decision is that I do not uphold this complaint against HSBC UK Bank PLC (trading as First Direct).

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr A to accept or reject my decision before 3 February 2026.

Paula Lipkowska
Ombudsman