

The complaint

Mr D complains to HSBC UK Bank Plc on behalf of 'D' a Ltd company of which he is a director.

He says that D has been the victim of an investment scam and would like HSBC to refund it the money it has lost as a result.

What happened

Mr D heard about a company I will refer to as 'C' through friends and family which was offering investment in a rent-to-rent property arrangement where money would be used to refurbish and pay deposits on rental units that would be occupied by social housing tenants.

Through his business, Mr D agreed to invest £85,000 in C, which would receive returns of 20% for three years. Three returns were received totalling £7,200 – but then nothing more materialised, and Mr D believed that D had been scammed.

Mr D complained to HSBC on behalf of D, via a representative, and asked that HSBC refund D under the provisions of the Contingent Reimbursement Model Code ('CRM Code').

HSBC told Mr D it had placed D's claim on hold while the police were investigating C. Mr D, acting on behalf of D, was unhappy with HSBC's response and brought a complaint to this service.

The investigator who considered this complaint recommended that it be upheld in full. He provided a summary of the information obtained from receiving accounts and noted that the majority of funds hadn't been used for the intended purpose.

HSBC didn't agree with the investigator's findings and asked for a final decision, so the complaint has been passed to me.

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 in all the circumstances of a complaint, I'm required to take into account relevant: law and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider to be good industry practice at the time.

Where there is a dispute about what happened, and the evidence is incomplete or contradictory, I've reached my decision on the balance of probabilities – in other words, on what I consider is most likely to have happened in light of the available evidence.

In broad terms, the starting position in law is that HSBC is expected to process payments that a customer authorises it to make, in accordance with the terms and conditions of the

customer's account and the Payment Services Regulations (PSR's). But there are circumstances when it might be fair and reasonable for a firm to reimburse a customer even when they have authorised a payment.

Is it appropriate to determine this complaint now?

I have considered whether it would be appropriate to delay my decision in the interests of fairness, as I understand that the police investigation is still ongoing.

Firms generally have 15 business days to respond to claims under the CRM Code. In this case, HSBC has effectively applied 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."

There may be circumstances and cases where it's appropriate to wait for the outcome of external investigations and/or related court cases. But that isn't necessarily so in every case, as it may be possible to reach conclusions on the main issues on the basis of evidence already available. And it may be that the investigations or proceedings aren't looking at quite the same issues or doing so in the most helpful way. I'm conscious, for example, that any criminal proceedings that may ultimately take place might concern charges that don't have much bearing on the issues in this complaint; and, even if the prosecution were relevant, any outcome other than a conviction might be little help in resolving this complaint because the Crown would have to satisfy a higher standard of proof (beyond reasonable doubt) than I'm required to apply (which – as explained above – is the balance of probabilities).

In order to determine I's complaint, I have to ask myself whether, on the balance of probabilities, the available evidence indicates that it's more likely than not that D was the victim of a scam rather than a failed investment. But I wouldn't proceed to that determination if I consider fairness to the parties demands that I delay doing so.

I'm aware that Mr D, on behalf of D, first raised this claim with HSBC on 16 May 2025 and I need to bear in mind that this service exists for the purpose of resolving complaints quickly and with minimum formality. With that in mind, I don't think delaying giving Mr D on behalf of D an answer for an unspecified length of time would be appropriate unless truly justified. And, as a general rule, I'd not be inclined to think it fair to the parties to a complaint to put off my decision unless, bearing in mind the evidence already available to me, a postponement is likely to help significantly when it comes to deciding the issues.

I'm aware the above processes might result in some recoveries for C's investors; in order to avoid the risk of double recovery, I think HSBC would be entitled to take, if it wishes, an assignment of the rights to all future distributions to D under those processes in respect of this investment before paying anything I might award to it on this complaint.

For the reasons I discuss further below, I don't think it's necessary to wait for the outcome of police investigations for me fairly to reach a decision on whether HSBC should reimburse D under the provisions of the CRM Code.

Has D been the victim of an APP scam as defined by the CRM Code?

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 only applies if the definition of an APP scam, as set out in it, is met.

I have considered whether the claim Mr D has brought on behalf of D falls within the scope of the CRM Code, which defines an APP scam as:

...a transfer of funds executed across Faster Payments...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.*

To decide whether D is the victim of an APP scam as defined in the CRM Code I have considered:

- The purpose of the payments and whether Mr D thought this purpose was legitimate.
- The purpose the recipient (C) had in mind at the time of the payments, and whether this broadly aligned with what Mr D, acting for his business, understood to have been the purpose of the payments.
- Whether there was a significant difference in these purposes, and if so, whether it could be said this was as a result of dishonest deception.

I haven't seen anything to suggest Mr D didn't consider he was investing D's funds for a legitimate purpose.

So, I've gone on to consider what purpose C had in mind and whether it was in line with what Mr D thought.

Like the investigator, and based on the evidence available, I'm satisfied it's more likely than not D's funds weren't used for the intended purpose and that C obtained the funds through dishonest deception. So, I'm satisfied that the payments Mr D made from D's account meet the definition of an APP scam and are covered by the CRM Code.

I have seen confidential information that I'm unable to share for data protection reasons which shows that around £600,000 was spent in a way that appears consistent with property development. But C also received around £20,200,000 from investors. Given a unit price of £13,500, C would need to have entered into around 1,500 property agreements. The evidence isn't consistent with C paying for refurbishments, furnishings and rent for this number of properties.

Importantly, C told investors it had contracts with local authorities which would be required to fulfil its agreements. But I have seen no evidence of incoming payments from local authorities or housing providers. And several local authorities have confirmed that they didn't have a working relationship with C. One also said that an invoice used by C to demonstrate such a relationship was fake.

Around £440,000 C received could be legitimate income, but, as I have said above, none of this came from local authorities or social housing providers. But around £2,500,000 was paid to investors. These funds clearly didn't come from income received from the investments – strongly indicating C was operating a Ponzi scheme.

This service has the addresses of properties investors thought their investment was purchasing in around 100 cases. Around half of those addresses were in buildings where the owners have confirmed that they didn't have a relationship with C. In other cases, properties remained derelict after the investment was made or were under construction when they were supposedly generating an income. And some units were sold to different investors.

Returning to C's accounts, around a third of the investment capital wasn't used for the purpose of securing and developing properties to be used for social housing. There were cash withdrawals, payments to individuals operating C, payments to jewellers and relating to obtaining cars, amongst other things.

An individual named as a director of C was removed by Companies House after it was discovered that the individual's identity had been stolen, and they had been added to the record without their consent.

As I have said above, there is an ongoing police investigation into C.

In its response to the investigator's view, HSBC hasn't raised any points about the conclusion that it's more likely than not that C was operating a scam, or the evidence the investigator relied on.

Overall, the evidence leads me to conclude that most funds weren't used for the intended purpose and any funds that were more likely than not used to encourage further investment as part of an overall scam.

Returning to the question of whether in fairness I should delay reaching a decision pending developments from external investigations, I have explained why I should only postpone a decision if I take the view that fairness to the parties demands that I should do so. In view of the evidence already available to me, however, I don't consider it likely that postponing my decision would help significantly in deciding the issues. As regards the police's investigations, there is no certainty as to what, if any, prosecutions may be brought in future, nor what, if any, new light they would shed on evidence and issues I've discussed.

Does an exception to reimbursement apply?

The CRM Code says that D is entitled to a full refund unless HSBC can establish that an exception to reimbursement applies.

The CRM Code says that a bank may choose not to reimburse a customer if it can establish that:

- The customer made payments without having a reasonable basis for believing that: the payee was the person the customer was expecting to pay; the payment was for genuine goods or services; and/or the person or business with whom they transacted was legitimate

There are further exceptions outlined in the CRM Code that do not apply to this case.

For the reasons given by the investigator, I'm satisfied that Mr D, acting on behalf of D, had a reasonable basis for believing C offered a genuine investment opportunity. Mr D received a genuine looking brochure that said C was registered with the Property Redress Scheme and signed a contract setting out the agreement reached. C's website looked genuine and there were no reviews at the time to suggest the investment wasn't legitimate. C was also registered on Companies House and had an office in London.

I understand that HSBC has said that the CRM Code isn't a safety net designed to protect customers from risky investments – and I agree. But as I have explained above, I am satisfied that C wasn't a risky investment – it was most likely a scam. So, I see no reason why the CRM Code shouldn't apply to this complaint.

Putting things right

As there is an ongoing investigation by the police, it's possible D may recover some further funds in the future. 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 under other processes in respect of this investment before paying the award.

If HSBC elects to take an assignment of rights before paying compensation, it must first provide a draft of the assignment to Mr D acting on behalf of D for his consideration and agreement.

Overall, I'm satisfied that I was the victim of an APP scam as set out in the CRM Code and should be reimbursed as set out below.

HSBC UK Bank Plc should refund D its loss (minus returns) which I calculate as £77,800.

On top of this, HSBC UK Bank Plc should also pay D 8% simple interest from the date from the date it declined the claim or 15 days after the claim was first made, whichever is earlier.

My final decision

I uphold this complaint. HSBC UK Bank Plc should put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D on behalf of D to accept or reject my decision before 27 February 2026.

Claire Pugh
Ombudsman