

## **Complaint**

Mr and Mrs R are unhappy that HSBC UK Bank Plc didn't reimburse them after they reported falling victim to a scam.

## **Background**

The background to this case is already well known to the parties, so I do not intend to set it out in full. Instead, I will provide a summary of the key facts.

Mr and Mrs R own a rental property. In October 2022, they decided to have the property renovated, painted and decorated. They found a tradesman online, whom I will refer to as Mr S. He operated a painting and decorating business. Mr R says he looked up the business online and found generally positive reviews. Between October 2022 and March 2023, Mr and Mrs R transferred just under £29,000 in connection with these extensive renovation works. In early 2023, Mr S and his partner asked whether they could move into the property and live there while the works were being completed. Mr and Mrs R agreed to this arrangement.

A significant factor in this case is that Mr and Mrs R do not live near the property. The journey by car takes at least three hours. They attempted to check on the progress of the works, but found Mr S uncooperative. On several occasions, they were given reasons why it was not possible for them to visit. Eventually, Mr S stopped paying rent for the property. Mr and Mrs R then took steps to evict him and his partner. When they regained possession in April 2024, they discovered that virtually none of the contracted works had been completed. Only some basic work had been carried out.

They concluded that they had been the victims of fraud. They notified HSBC, but it declined to provide a refund. It said that this was a private civil dispute between the parties. Mr and Mrs R disagreed with HSBC's position and referred their complaint to this service. An Investigator upheld the complaint. HSBC didn't accept the Investigator's findings, and the complaint has therefore been passed to me to consider and reach a final decision.

## **Findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

The starting point in law is that a bank is generally expected to process payments that a customer authorises, in accordance with the Payment Services Regulations 2017 and the terms and conditions of the customer's account. It is common ground that these payments were authorised. Mr and Mrs R are therefore presumed liable in the first instance.

However, that is not necessarily the end of the matter. At the time of the payments, HSBC was a signatory to the Lending Standards Board's Contingent Reimbursement Model Code. Under the CRM Code, firms are expected to reimburse customers who fall victim to authorised push payment scams, except in a limited range of circumstances.

That obligation is not engaged unless I am satisfied that Mr and Mrs R did in fact fall victim to a scam, rather than becoming involved in a private civil dispute with Mr S. Under section DS1(2)(a) of the CRM Code, an authorised push payment (APP) scam is defined as a situation 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.

Further, DS2(2)(b) of the CRM Code states that the Code does not 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.”*

The first question I must consider is therefore whether Mr and Mrs R were the victims of an APP scam. To reach that conclusion, it must be shown that the purpose for which they made the payments differed from the purpose for which Mr S obtained them, and that this difference arose due to dishonesty or deception on the part of Mr S.

In my view, it is relatively uncontroversial to conclude that Mr and Mrs R were victims of fraud. The photographic evidence they have provided shows that very little work had been completed by Mr S. In addition, they reported the matter to the Trading Standards team at the local council. Their concerns were taken seriously, and the case has since escalated into criminal charges against Mr S for fraud-related offences. It also appears that Mr and Mrs R were not the only victims. Mr S is due to stand trial, although this is not expected to take place until late 2027 at the earliest.

A Trading Standards officer would not initiate a criminal prosecution unless satisfied that there is a realistic prospect of conviction. That strengthens the argument that this matter is likely to be fraud rather than a civil dispute. Fraud requires dishonesty as an element, and the fact that an independent person has reviewed the evidence and considered criminal prosecution appropriate strongly supports the conclusion that a court is likely to find that Mr S acted dishonestly. I cannot ignore those conclusions. Taken together, they provide compelling support for the view that Mr and Mrs R were the victims of an APP scam and so these payments are covered by the CRM Code.

#### Should HSBC reimburse Mr and Mrs R under the CRM Code?

The CRM Code requires firms to reimburse customers except in a limited number of circumstances. It is for the firm to demonstrate that one of the exceptions to reimbursement applies. Broadly summarised, the CRM Code allows a firm to withhold reimbursement if it can show that:

- The customer ignored an effective warning in relation to the payment being made
- The customer made the payment without a reasonable basis for believing that the person or business they were dealing with was legitimate

HSBC did provide warnings in relation to three of the payments. However, I am not persuaded that the warnings displayed were sufficiently impactful to be considered “effective” under the CRM Code. They referred generically to several different types of scams and did not meaningfully address this specific scam type.

I am also satisfied that Mr and Mrs R had a reasonable basis for believing they were dealing with a legitimate contractor. They carried out some research into Mr S’s business before agreeing to proceed, and they found generally positive reviews online. Mr S also sent them photographs purporting to show progress on the works, and given that they were unable to inspect the property themselves, this reasonably suggested that renovation work was underway. Mr and Mrs R did not live close to the property, and regular inspections were not feasible. They say they attempted to visit on a number of occasions, but Mr S didn’t cooperate. In the circumstances, I consider their reliance on the information provided by Mr S to have been reasonable.

HSBC has argued that the invoices issued in connection with the works were ambiguous. I agree that the invoices sometimes lacked precise detail, but I do not consider this to undermine the reasonableness of Mr and Mrs R's belief. This was a substantial project, with work taking place under broad categories. Much of the discussion about the scope of the works took place via text message and email. It's also pointed out that some of the invoices were issued *after* work had been completed, but I don't find that to be particularly unusual nor something that ought to have given Mr and Mrs R cause for concern.

### Redress

HSBC pointed out that, in cases like this one where a trader has undertaken some work, it can be difficult to quantify a customer's precise loss. I considered whether a deduction should be made to reflect that Mr S had been working on Mr and Mrs R's property for several months. However, I'm aware that the trading standards officer who investigated their complaint value the works completed at £0 and so I'm not persuaded it would be appropriate to make a deduction here.

Taking all of this into account, I am not persuaded that HSBC has demonstrated that any of the CRM Code exceptions apply. As there are ongoing criminal proceedings, it's possible Mr and Mrs R may recover some further funds in the future. To avoid the risk of double recovery, HSBC is entitled to take, if it wishes, an assignment of the rights to all funds that are confiscated or otherwise recovered from Mr S as part of the criminal process before paying this award. If the bank elects to take an assignment of rights before paying compensation, it must first provide a draft of the assignment to Mr and Mrs R for their consideration and agreement.

### **Final decision**

For the reasons I've explained above, I uphold this complaint.

If Mr and Mrs R accept my final decision, HSBC UK Bank Plc should:

- Refund the money they made in connection with the scam; and
- Add 8% simple interest per annum calculated to run from the date it declined the claim until the date any settlement is paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R and Mrs R to accept or reject my decision before 12 March 2026.

James Kimmitt  
**Ombudsman**