

The complaint

Mr G complains that HSBC UK Bank Plc (“HSBC”) won’t refund payments he made as part of a scam.

What happened

The background to this complaint is well known to both parties, so I won’t repeat it in detail here. But in summary, I understand it to be as follows.

In June 2024, Mr G made payments totalling £13,500 from his HSBC account towards a social housing investment. The investment was with a company that will be further referred to as “Company C”.

As part of the investment, investors’ funds would be used towards the purchase and refurbishment of properties which would then be occupied by social housing tenants. The profits would then be shared between Company C and the investor.

Mr G received returns totalling £1,200 until October 2024. Mr G then received an email from Company C advising him that they had encountered issues with their banking system and were currently unable to make the contracted payments. Mr G carried out further research and, having discovered further information, was concerned he’d been the victim of a scam.

In November 2024, Mr G raised a complaint with HSBC and requested they reimburse his losses on the basis that he’d been the victim of a scam. HSBC looked into Mr G’s complaint but declined to reimburse him on the basis that they were awaiting industry guidance on how to proceed with the matter. Unhappy with this response, Mr G referred his complaint to our service via a professional representative.

Our investigator looked into Mr G’s complaint and upheld it on the basis that they were satisfied that there was enough information to show that Mr G was the victim of a scam, requesting HSBC to refund Mr G’s losses in full.

HSBC disagreed with the investigator’s assessment and provided detailed responses as to why they didn’t think there was enough evidence for our service to make a determination on the case or reach the decision that Mr G was the victim of a scam and that we ought to wait until the conclusion of the investigation by law enforcement.

As the complaint couldn’t be resolved by the investigator it has been passed to me for a decision.

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.

Both parties have provided detailed submissions to our service in relation to this complaint. In keeping with our role as an informal dispute resolution service, I will focus here on the

points I find to be material to the outcome of Mr G's complaint. This is not meant to be a courtesy to either party and I want to assure them I have considered everything that has been submitted carefully.

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.

In broad terms, the starting position at law is that a bank such as HSBC is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the Payment Services Regulations (in this case the 2017 regulations) and the terms and conditions of the customer's account.

Here it's not in dispute that the payments were authorised, so the starting position is that HSBC isn't liable for the transactions.

There are, however, some situations where we believe that businesses, taking into account relevant rules, codes and best practice standards, shouldn't have taken their customer's authorisation instruction at 'face value' – or should have looked at the wider circumstances surrounding the transaction before making the payment.

HSBC also has a duty to exercise reasonable skill and care, pay due regard to the interest of its customers and to follow good industry practice to keep customer's accounts safe. This includes identifying vulnerable consumers who may be particularly susceptible to scams and looking out for payments which might indicate the consumer is at risk of financial harm.

Taking these things into account, I need to decide whether HSBC acted fairly and reasonably in its dealings with Mr G.

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.

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 Mr G'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 Mr G 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 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 G 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 Company C's creditors/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 Mr G under those processes in respect of this investment before paying anything I might award to him on this complaint.

For the reasons I discuss further below, I don't think it's necessary to wait for the outcome of the police investigation for me fairly to reach a decision on whether HSBC should reimburse Mr G under the provisions of the CRM Code. Further to this, and for the reasons I discuss further below, I don't think it reasonable for me to dismiss this complaint as I don't agree with HSBC that dealing with this complaint seriously impairs the effective operation of our service.

Does the evidence show Mr G has fallen victim to a scam?

HSBC are a signatory of the CRM Code which requires firms to reimburse customers who have been the victims of APP scams in all but a limited number of circumstances.

The relevant part of the CRM Code definition of an APP scam requires that the payment was made to: *"another person for what they believed were legitimate purposes but which were in fact fraudulent."*

The Code also explains that it 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 Code also allows a firm to delay its decision if there is an ongoing statutory investigator taking place, which may inform the firm's decision. R3(1)(c) in the CRM Code sets out that *'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.'*

In this case, when Mr G raised his complaint with HSBC they declined to give an outcome under the Code on the basis that they were waiting for industry guidance, instead advising that they'd continue monitoring the situation and will be in touch with Mr G at a time they'd be able to give an answer on his case.

So, in deciding this complaint, I've carefully considered whether it was fair and reasonable for HSBC to rely on R3(1)(c) and delay making a reimbursement decision. In reaching these conclusions I've thought about whether there is currently enough evidence to decide that the payments Mr G made were the result of an APP scam.

In order to determine whether the CRM Code's definition of an APP scam applies to Mr G's payments, I've considered the purpose for which Mr G made, and Company M received, the payments. And, if there is a significant difference in these purposes, whether I can be satisfied that this difference was as a result of dishonest deception.

It's clear that Mr G made the payments towards a social housing investment. So, I've gone on to consider what purpose Company C had in mind and whether that was in line with the purpose Mr G made the payments.

Company C's accounts indicate approximately £6,000,000 was spent in a manner that appears consistent with property development. However, the company also received around £20,200,000 from investors. Based on its standard unit price of £13,500, this would mean that Company C entered roughly 1,500 property agreements. The recorded outgoing payments do not align with the costs typically associated with securing rent, refurbishments, and furnishings for this number of property agreements.

Company C claimed to hold contracts with local authorities, which would have been necessary to deliver on its investor commitments. Yet, beneficiary statements show no incoming payments from local authorities or housing providers. Furthermore, several local authorities confirmed they had no working relationship with Company C. One authority even verified that an invoice Company C presented as evidence of such a relationship was a forgery. Additionally, a director listed on Companies House was removed after it was discovered their identity had been stolen and they had no connection to Company C. These facts strongly suggest, and support the allegation of, dishonest deception by Company C.

Our service has reviewed evidence showing that at least six units were sold to multiple investors. This is based on complainants providing property addresses they believed their investments were linked to, across roughly 100 complaints. In about half of these cases, the addresses were in buildings where owners confirmed they had no relationship with Company C. We also found instances where properties remained derelict or under construction when they were supposedly generating income. This makes it highly unlikely that Company C had the intention of using Mr G's payment for a genuine property development investment.

Company C's accounts further reveal that around one-third of the investment capital was spent on cash withdrawals, payments to individuals involved in Company C, and luxury expenses such as jewellers and restaurants, alongside other substantial withdrawals with no clear purpose or link to the investment.

Although Company C received approximately £440,000 that could represent legitimate income, none of this came from local authorities or social housing providers. In contrast, about £2,500,000 was paid to investors. This discrepancy indicates that these payments were not funded by genuine income, strongly suggesting Company C weren't operating a legitimate business.

In summary, there is little evidence that Company C used investor funds for genuine property development in the manner detailed to investors. Instead, the available information suggests that investors' funds were obtained through dishonest deception. Even if some funds were used for property-related purposes, it appears this was done primarily to encourage further investment as part of an overall scam. Because of this, I am satisfied that Mr G's payment to Company C meets the CRM Code's definition of an APP 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.

I say this as there is no certainty as to what, if any, prosecutions may be brought in future by the police, nor what, if any, new light they would shed on evidence and issues I've discussed. And, as I'm satisfied there is enough evidence available for me to determine that Mr G's payments meet the definition of an APP scam as per the CRM Code, I'm not persuaded our service should delay giving an outcome on this complaint. It is for these same reasons that I do not believe it appropriate for our service to dismiss Mr G's complaint.

Further to this, I'm persuaded that enough evidence was available at the time Mr G raised his claim with HSBC which would've enabled them to have concluded that he was the victim of an APP scam.

Is Mr G entitled to reimbursement under the CRM Code?

As I'm satisfied Mr G's claim meets the CRM Code's definition of an APP scam, I've considered whether he is entitled to reimbursement of his losses under the Code. Under the CRM Code, a bank may choose not to reimburse a customer if it can establish that:

- The customer ignored effective warnings by failing to take appropriate action in response to such an effective warning.
- The customer made the payment without 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 other exceptions under the Code, but they do not apply to this case.

HSBC haven't provided any evidence to show that Mr G was presented with a warning when he made the payments. So, I can't fairly say Mr G ignored an effective warning or that HSBC can rely on this exception to decline to reimburse under the Code.

I'm satisfied that Mr G had a reasonable basis for believing the investment was legitimate. I say this because as he'd received multiple detailed documents relating to the investment and the companies involved as well as carrying out a number of independent checks on the company and its staff. Having reviewed this information, it seems very professional and legitimate, so I've no reason to believe Mr G ought to have been suspicious of these documents or the information contained within them.

Taking all of this into account, I'm satisfied that Mr G had a reasonable basis for believing that Company C, and the investment, were legitimate. Because of that, I'm satisfied that HSBC cannot rely on an exception to reimbursement.

Could HSBC have prevented Mr G's loss at the time of the payment?

I've considered whether HSBC could've done any more at the time of the payments in order to prevent Mr G's loss.

There are some situations where we believe that businesses, taking into account relevant rules, codes and best practice standards, shouldn't have taken their customer's authorisation instruction at 'face value' – or should have looked at the wider circumstances surrounding the transaction before making the payment.

HSBC also has a duty to exercise reasonable skill and care, pay due regard to the interest of its customers and to follow good industry practice to keep customer's accounts safe. This includes identifying vulnerable consumers who may be particularly susceptible to scams and looking out for payments which might indicate the consumer is at risk of financial harm.

I can't see that HSBC spoke to Mr G at the time the payments were made. But, even if they had, I'm not satisfied they'd have identified Mr G was falling victim to a scam, given its sophistication. I don't think any of the information Mr G could've given to HSBC at the time of the payments would've led them to believe that he was at risk of fraud or financial harm.

Because of this I can't say that HSBC missed an opportunity to prevent Mr G's losses prior to releasing the payments.

Overall

Overall, I'm not satisfied that HSBC can rely on an exception to reimbursement under the CRM Code and that Mr G should receive reimbursement of his losses. I'm also satisfied that it is appropriate for our service to make a determination on Mr G's complaint based on the information currently available.

Putting things right

To put things right HSBC UK Bank PLC should:

- Refund the £13,500 Mr G lost to the scam (less the payments he received back as investment returns).
- Pay interest on that sum at 8% simple per year, calculated from the date HSBC declined to reimburse Mr G to the date of settlement.

If HSBC considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr G how much it's taken off. It should also give him a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

As there is an ongoing investigation by law enforcement, it's possible Mr G 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 the liquidation process 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 G for their consideration and agreement.

My final decision

My final decision is that I uphold this complaint against HSBC UK Bank PLC and require them to reimburse Mr G as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 19 January 2026.

Billy Wyatt
Ombudsman