

The complaint

Mr D complains that HSBC UK Bank Plc won't refund the money he lost when he was the victim of what he feels was a scam.

What happened

In mid-2020, Mr D was told about an opportunity to invest with an investment company by a friend he had known for several years. The friend showed Mr D the returns they had received from their investment and, after meeting the director of the company, Mr D also agreed to invest. He understood he would be providing a loan to the company, and that he would receive quarterly interest payments in return.

Mr D then made a payment of £20,000 from his HSBC account to account details he was given for the investment company.

Unfortunately, Mr D didn't receive the first interest payment as he expected. And as his friend also stopped receiving returns and the company stopped responding to communications, Mr D believed he had been the victim of a scam and reported the payment to HSBC.

HSBC investigated but said it believed this was a civil matter between Mr D and the investment company, rather than a scam. So it didn't agree to refund the payment he had made. Mr D wasn't satisfied with HSBC's response, so referred a complaint to our service.

One of our investigators looked at the complaint. They didn't think the available evidence demonstrated that the investment company never intended to act in line with its agreement with Mr D. So they didn't think this met the definition of a scam, or that HSBC should have to refund the payment Mr D made. Mr D disagreed with our investigator, 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 broad terms, the starting position at law is that a firm 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 and reasonable for the bank to reimburse the customer even though they authorised the payment.

At the time of the payment, HSBC was a signatory of the Lending Standards Boards Contingent Reimbursement Model (the CRM code). This required firms to reimburse customers who have been the victim of certain types of scams, in all but a limited number of circumstances. But customers were only covered by the code where they had been the victim of a scam – as defined in the code.

The relevant definition of a scam from the CRM code is that the customer transferred funds to another person for what they believed were legitimate purposes but were in fact fraudulent.

The CRM code also says it doesn't apply to private civil disputes, such as where a customer has paid a legitimate supplier for goods or services but has not received them, they are defective in some way, or the customer is otherwise dissatisfied with the supplier.

So in order to determine whether Mr D has been the victim of a scam as defined in the CRM code I need to consider whether the purpose he intended for the payment was legitimate, whether the purposes he and the investment company intended were broadly aligned and then, if they weren't, whether this was the result of dishonest deception on the part of the company.

From what I've seen, I'm satisfied Mr D made the payment here with the intention of investing with the investment company. I think he thought he was providing a loan to the company, and that he would receive returns on his investment. And I haven't seen anything to suggest that Mr D didn't think this was legitimate.

But I'm not satisfied the evidence I've seen shows that the investment company intended a different purpose for the payment, or that Mr D's and the investment company's purposes for the payment weren't broadly aligned.

Mr D has said he didn't receive the returns he was told he was, and that he knows of a number of other people who invested and also didn't receive the returns they were told they would. But investments can fail or not produce their intended returns for a number of reasons, that don't necessarily mean they were being operated as a scam. So I don't think this, by itself, is sufficient evidence to say the investment company here was operating a scam.

While there was a police investigation into the investment company, I understand this concluded that the available evidence did not support a realistic prospect of a conviction against the director. And among the reasons for this were that information the police had showed the director had been conducting trades and expected to make repayments to investors, and that there was no evidence of the director funding a lavish lifestyle, gambling or syphoning off assets for himself. So I don't think this investigation suggests the investment company was operating a scam.

I appreciate Mr D has provided evidence that the director of the investment company was acting unprofessionally, including not having certain FCA authorisation and making unrealistic claims about the investment. But acting unprofessionally is not the same as intending to operate a scam. And I don't think these issues Mr D has raised go far enough to conclude the company intended to steal investor's money without providing the agreed service.

I also don't think the investment company passing a resolution to wind up the company around three months after accepting Mr A's investment suggests it was operating a scam. I've not seen any evidence to show the company knew it would not be able to continue when it accepted Mr A's investment. And so I've not seen anything to suggest it accepting his investment was anything other than an attempt to continue its business operation, before it later came to the conclusion that it would not be able to continue.

So I'm not persuaded that the available evidence is sufficient to safely conclude that the purpose the investment company intended for this payment was different than the purpose

Mr D intended. And so I think HSBC has acted reasonably in saying the circumstances here don't meet the definition of a scam from the CRM code, and in not agreeing to refund the money Mr D lost from this payment as a result.

I sympathise with the position Mr D has found himself in and I appreciate that he has lost a significant amount of money. I'm also in no way saying he did anything wrong or that he doesn't have a legitimate grievance against the investment company. But I can only look at HSBC's responsibilities here and, for the reasons I've explained above, I don't think it would be fair to hold HSBC responsible for the money he has lost.

It's possible that material new evidence may become available at a future date, which suggests that the investment company did take the payment using dishonest deception. If that happens, Mr D can ask HSBC to reconsider his claim for this payment and, if not satisfied with its response, bring a new complaint to our service.

My final decision

For the reasons set out above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 5 December 2025.

Alan Millward
Ombudsman