

The complaint

A company which I'll call 'V' complains that HSBC UK Bank Plc ('HSBC') didn't do enough to prevent the loss it suffered when it sent a payment to one of the bank's customer accounts because of an alleged scam.

The complaint is brought on V's behalf by one of its directors, Mr S.

What happened

Both parties are aware of the circumstances of the complaint, so I won't repeat them all here. But briefly, V holds an account with an international bank and on 20 December 2023, it received an invoice from what it believed was an existing supplier's email address requesting payment of due and future invoices to be paid into to their two new bank accounts held with HSBC. However, unknown to V a fraudster had intercepted its suppliers' email and instead provided the details for a different account which didn't belong to the genuine supplier. The new account details were provided on letters which appeared to be from HSBC verifying the account information. This email was then followed up by the fraudster on 21 December 2023 requesting confirmation that the new details would be used and when the payments would be made.

Shortly after the email was received, V confirmed it had set up the new account details as requested and that payment would be made the following day. On 22 December 2023 it made a payment for €40,000 from its bank in Switzerland to the first HSBC account in the UK ending in *****07 which it believed was in the name of the genuine supplier. It then followed the same process for the second payment on 24 January 2024 for €40,000 HSBC account ending *****96. The funds were received into the HSBC accounts on 27 December 2023 and 24 January 2024 respectively.

The genuine supplier contacted V several times in December 2023 and January 2024, however unbeknownst to V and the genuine supplier, the fraudster had created a folder and technical rule on V's emails meaning it didn't receive these messages. On 5 February 2024, V saw the unusual folder and the messages from the genuine supplier chasing the invoice payments and the scam was uncovered. V contacted the genuine supplier, the Police and its bank around 8 February 2024. V's bank contacted HSBC but when it didn't receive a satisfactory response, it asked our service to look into its complaint.

HSBC didn't think it had done anything wrong. It said it had opened the accounts in line with its checks and appropriate actions were taken when it was notified about the payments.

Our investigator recommended V's complaint be upheld. She thought that V and HSBC had both been responsible for the loss caused as a result of the fraud. She thought that the email correspondence with the fraudster should have raised concerns with V, but she also thought that HSBC should have had concerns about the recipient accounts and acted sooner. So, she thought the fairest resolution was for both parties to take responsibility for 50% of the loss. She also recommended that HSBC pay V interest at 8% simple on the recommended award from the date it was notified about the scam to the date of settlement.

V accepted the investigators opinion, but HSBC did not. It said the account transactions weren't out of character for the accounts and if it had contacted its customers they would likely have been able to provide a credible response to the ownership of the funds. As an agreement couldn't be reached, the case has been passed to me to decide.

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.

Having done so, I've decided to uphold it for broadly the same reasons as our Investigator. I'll explain why.

As an account provider, HSBC has an obligation to be alert to various risks in relation to accounts with it. It is expected to conduct its business with due skill, care, and diligence, and must fairly and reasonably monitor accounts and any payments made or received to counter various risks including anti-money laundering and preventing fraud and scams. HSBC should also have systems in place to look out for unusual transactions or other signs that might indicate there is a risk of fraud.

Ultimately, it is a matter for HSBC as to how it chooses to configure its fraud detection systems and strike a balance between allowing its customers to make business transactions and questioning these transactions to confirm they are legitimate. Here, it is alleged that HSBC didn't do enough to prevent an authorised push payment scam which caused a loss to V. HSBC has provided information to our service to allow us to investigate V's complaint, but I'm limited on the information that I can directly share because it relates to two third-party accounts. I'd like to assure V that I've carefully reviewed everything when reaching my decision.

HSBC are required to verify the identity of their accountholder, which I'm satisfied they did in these circumstances. Looking at the evidence provided, there was nothing at the time of opening the account that reasonably could have put them on notice that the account was going to be used later to receive misappropriated funds. However, I do think HSBC should have done more once the payments from V were received into its customer accounts. I also think that in this case, HSBC ought reasonably to have intervened or undertaken further investigation when the incoming payments from V were received - before any outgoing payments or transfers were made. I say that because I can see from HSBC's records that it already had previous concerns noted for both the account holders before V's funds were received.

I acknowledge that HSBC says the payments weren't out of character for the accounts, and it thinks its customers would have been able to provide a reasonable explanation for the payments, but I don't agree. I say that because the account ending *****07 had only had a couple of small transactions into the account until a large payment on 22 December 2023 followed by a rapid dispersal of inter-account transfers to a HSBC GBP account on the same day. The size of payments and number of inter-account transfers to the GBP account were also unusual. And for the account ending *****96, from the information provided by HSBC, there doesn't appear to be any transactions into the account prior to V's payment being received, so this may not have appeared unusual initially as there was no history. However, this was followed by a rapid dispersal of inter-account transfers to a HSBC GBP account on the same day. And the size of payments and number of inter-account transfers to the GBP account were also unusual for that account. Ordinarily, I recognise that HSBC may not have intervened until the third or fourth payment had been made. However, as I've mentioned above, I can see HSBC had already noted some concerns about these account holders. So,

I think in this case, it's reasonable to believe the bank would already have been on notice of any unusual or suspicious account activity.

Furthermore, had HSBC reviewed the payments received from V, it would have seen that these had been made in the name of the genuine supplier- rather than in the names of an individual. So, I'm also not persuaded that its account holder would have been able to explain in a meaningful way why they were entitled to those funds. I'm not suggesting HSBC ought to have carried out manual monitoring or that it should be checking all incoming payment details before crediting payments to its customer's accounts. But it should be monitoring its accounts for suspicious activity.

Therefore, I think it would have been reasonable for HSBC to ringfence the funds received from V and undertake further investigation of the account holder's entitlement to the funds. Had it done so, I think it's likely the funds would have been available for recovery when it received notification of a disputed transaction on account *****07 from another bank on 11 January 2024 followed by V's bank requesting that the payments be returned from both accounts on 14 February 2024. Instead, the funds received from V had been removed from the accounts by 28 December 2023 and 29 January 2024 respectively. So, I think HSBC missed several opportunities here to prevent the financial loss caused to V.

For completeness, I've also considered whether V should bear some responsibility for its loss due to any contributory negligence. Looking at the emails which V received from the scammer, I can see there was only a difference of one letter on the email address, so I can understand why this wouldn't have initially appeared suspicious to V. However, the email address did provide the automated warning "you don't often get email from [...]. Learn why this is important". V has explained its reasons why this alert didn't flag as unusual and whilst I have no reason to disbelieve what it's telling me I also have to take into account the wider circumstances here.

V told us that it has dealt with this supplier for a lengthy period meaning and there have been previous accounting issues which it's had to resolve, so this change didn't appear suspicious. However, it also told us that "contrary to the usual processing of both payments to the bank accounts specified in the invoices [...] transferred the payments to the payment of EUR 40,000 [...] to the account of HSBC bank." I acknowledge that V received an email saying the account details had changed with an official looking letter. However, I haven't seen any evidence that the supplier had previously changed its account details, or told V to expect this change, and ultimately the invoices all contained the original and correct account details for the genuine supplier.

Therefore, I think V ought reasonably to have done more here to check the change being requested was legitimate, such as calling the genuine email contact or emailing another contact at the supplier to check this. Had it done so, I think the supplier would have confirmed it hadn't changed its account details and V wouldn't have made the payment. Therefore, I think that V should bear some responsibility for its loss, and I think that the fairest resolution to V's complaint is that HSBC and V share equal responsibility for the loss incurred.

Putting things right

As I've mentioned above, I think both parties should be held responsible for the loss caused to V. I also think HSBC should also add annual interest at 8% simple from 14 February 2024, the date it was notified of the scam, to the date the funds are returned, to reflect the time that V has been deprived of the use of those funds.

My final decision

My final decision is that I uphold the complaint. I instruct HSBC UK Bank Plc to do the following as a settlement paid in Euros:

- Reimburse 50% of the loss to V.
- Add annual interest at 8% simple from the date it was notified of the scam to the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask V to accept or reject my decision before 12 January 2026.

Jenny Lomax
Ombudsman