

The complaint

A company, which I'll refer to as N, complains that HSBC UK Bank Plc is unfairly holding it responsible for repaying a Bounce Back Loan (BBL), having previously told the company that there was no debt.

What happened

N was a business customer of HSBC, which provided the company with a business bank account.

In September 2020 there was a successful application to HSBC for a £50,000 BBL in N's name. The bank paid the loan proceeds into the company's HSBC business bank account.

BBLs were designed to help businesses get finance more quickly if they were adversely affected by the coronavirus outbreak. Under a government-backed scheme, lenders could provide a loan with a six-year term for up to 25% of the customer's turnover, subject to a maximum of £50,000.

The proceeds of the loan were then transferred within a few days from N's business bank account to a personal account in the name of N's director (Miss K) with another bank, and then on to accounts of third parties.

N had difficulties with the loan repayments, and various payment breaks were agreed. By the end of 2022, the loan was in substantial arrears.

Miss K explained to us that she had met someone in 2020 and had been led into a personal and business relationship with him. They went into business together at his suggestion. She was led to believe that if she provided the capital, then she would receive a good return in a short time. But in December 2021, she discovered that the business venture wasn't genuine and the man she'd trusted had taken most of the money. I understand he was later convicted of fraud. Some of the lost money had been invested on behalf of Miss K's family and friends.

N's director complained to HSBC about the BBL at the end of 2023, saying that she'd been the victim of an investment scam. In response, HSBC said that as the loan funds had been paid to N and then to Miss K's own personal account, there wasn't anything further that the bank could do.

Early in 2024, HSBC froze N's business bank account because there had been no transactions for over a year. When this happened, its director phoned HSBC and was told that the BBL had been closed. She believed that N's BBL debt had been waived. But later the company received a demand for repayment. The director complained again to HSBC, in June 2024. The bank apologised for its poor communication in January 2024 and offered £300 in compensation, but it said N remained liable for repayment of the BBL.

Unhappy with the bank's responses, N's director referred the company's complaints to us.

Our investigator looked at the evidence and concluded that HSBC wasn't acting unfairly by holding N responsible for repaying the BBL. But the investigator agreed that the bank had made a communication error in January 2024. She thought that the bank's offer of £300 compensation for this was fair.

N didn't agree with the investigator's conclusions. Its representative made the following points, in summary:

- The BBL application didn't have the director's genuine signature. The fraudster controlled the whole process in relation to the business fraud, having succeeded with the personal fraud. He also transferred the funds to the director's personal account. The director was under the duress and influence of the fraudster.
- There have been refunds of some of Miss K's personal losses, including as a result of a complaint to the Financial Ombudsman Service. The current complaint can't be considered in isolation of matters already known to the ombudsman.
- The minimal verifications and reliance on self-certification in the BBL application process made it easier for fraudsters to bypass robust identity checks.
- HSBC must have known about the fraud on the personal accounts and could have prevented the fraud on the business account. There were personal account frauds before the business frauds.

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.

It's common ground that Miss K was the victim of a cruel deception by a man she trusted. The experience has been heartbreaking and costly to Miss K and to those close to her, and she has my sympathy.

However, I should make it clear at the outset that my decision is about a complaint from the company N, concerning the bank's pursuit of a debt owed by the company. I'm therefore required to look at how HSBC has treated the company, and in particular whether the bank has acted fairly and reasonably in holding it responsible for repayment of the BBL debt. Miss K is the director of the company, but she isn't the complainant here.

N's representative has said that, for consistency, this complaint can't be considered in isolation of matters already known to the ombudsman. I've therefore taken into account evidence we already have about these events.

To decide whether HSBC has acted fairly in holding N responsible for the debt, I need to determine whether the company agreed to the BBL borrowing, and to do that I need to determine whether the BBL was taken out with its director's knowledge and consent.

I think it's likely that, as N's representative has suggested, the original BBL application didn't bear N's director's signature. But I note that the contact details on the form were correct – the address, email address and phone number were the same as given to this service. The contact details are the same for the company and Miss K. The bank therefore sent the BBL agreement correctly to N's director. The agreement was signed by email and returned to the bank. No alarm was raised about the BBL being fraudulent. All subsequent correspondence about the BBL was also sent to N's and Miss K's correct address. I believe this evidence is

consistent with the fraudster being involved with the setting up of the BBL with the director's knowledge and consent.

Miss K has said she was in a close personal and business relationship with the fraudster, and that he helped her with online banking tasks. At the time the BBL was taken out, she believed their joint enterprise to be a genuine business. These circumstances are also consistent with the fraudster being involved with the setting up of the BBL with the director's knowledge and consent.

The proceeds of the BBL were moved from N's business bank account to Miss K's personal account with another bank. I'm satisfied that she was questioned by staff at the other bank about payments that were made out of her personal account and that in response she willingly shared the relevant information. I therefore believe that Miss K was aware of the payment of the BBL proceeds from N's account to her personal account and then on to third parties.

For the above reasons, I believe the BBL was taken out with its director's knowledge and consent. Whatever she believed at the time about the ultimate intended destination of the money, I believe the evidence shows that she knew about and consented to the BBL borrowing and drawdown, and to the transfer of funds away from N's business bank account. I have no reason to doubt that the director intended the funds to be used for genuine business purposes, so there's no suggestion that her actions were taken in bad faith. But as these things happened with the director's knowledge and consent, I find that the company agreed to take the BBL. And as N received the proceeds of the loan, I think it's fair and reasonable for HSBC to expect N to repay the loan.

The representative points to refunds made to Miss K after the discovery of the fraud, but I note that these were in regard to her personal losses, not the company's. The complaint I'm considering here is about a debt owed by the company. In cases of losses from personal bank accounts, different considerations are applied. I further note that not all of Miss K's personal complaints were upheld by this service. In any event, ombudsman decisions are not precedents, and I'm not bound by them. In each case, a decision is made considering all the individual circumstances of the complaint. I'm required to form my own view on what I consider to be the fair and reasonable outcome of the complaint. That's what I've done here.

The BBL scheme had streamlined application and assessment processes designed for the special circumstances of the pandemic. But in my view, the core issue in this case isn't whether an unknown fraudster evaded identity checks – rather, it's whether the BBL funds were obtained with the knowledge and consent of the company's director. For reasons I've given above, I think they were.

I don't accept that at the time of the BBL application and agreement, HSBC knew or should have known that there had been fraudulent activity on the director's personal accounts. The BBL was agreed in September 2020, more than a year before the fraud came to light at the end of 2021. I don't think the bank did anything wrong in agreeing the BBL with N.

HSBC acknowledges that its poor communications early in 2024 resulted in the director wrongly believing for several months that N no longer had the BBL debt. The bank has offered £300 and I think that's fair and reasonable compensation for the inconvenience caused.

HSBC has confirmed that the BBL debt is in the name of N, the company, and that the bank is seeking repayment from N.

I realise that my decision will disappoint N's director, but my conclusion is that apart from the

communication error in 2024, HSBC hasn't acted wrongly. I don't think it's unfair or unreasonable of the bank to hold N responsible for repayment of the BBL debt.

My final decision

The bank has already made an offer of £300 to settle this complaint and I think this offer is fair in all the circumstances. My final decision is therefore that HSBC UK Bank Plc should pay £300, if it hasn't done so already.

Under the rules of the Financial Ombudsman Service, I'm required to ask N to accept or reject my decision before 29 December 2025.

Colin Brown
Ombudsman