

The complaint

Mrs J and Mr M complain that HSBC UK Bank Plc won't reimburse them after they made a payment towards an investment that they now consider to have been a scam.

Mrs J and Mr M are professionally represented in bringing their complaint, but for ease of reading I'll refer to all submissions and being made by Mrs J and Mr M directly.

What happened

The circumstances of this complaint have been set out in detail by our investigator, so I won't repeat them in full here. But briefly, both parties accept that Mrs J and Mr M were in contact with a sales representative for a firm I'll refer to as 'C' that claimed to offer an investment in social housing, whereby investors would purchase housing units which would be refurbished and then sub-let by C, with investors receiving a portion of the payments made by the social housing providers.

In August 2024, Mrs J and Mr M made a payment of £13,500 from their HSBC joint account to C, on the understanding that they were investing in one housing unit. The sales representative had explained that there would be a 90-day grace period for returns to be provided, during which time the unit would be refurbished and tenants found, and that after this, Mrs J and Mr M would receive £600 each month.

However, shortly before Mrs J and Mr M's first repayment was due, C announced it was having issues with its banking and couldn't currently make payments. Since then a Police investigation into C has been launched and no returns have been received by Mrs J and Mr M.

Believing they'd fallen victim to a scam, Mrs J and Mr M raised a claim with their bank, HSBC. HSBC said it couldn't currently provide an answer to their claim, due to the Police investigation being ongoing. Mrs J and Mr M remained unhappy and referred their complaint to our service.

An investigator considered the complaint and upheld it. He was persuaded that there was enough evidence available to conclude that Mrs J and Mr M's payment was made as the result of a scam and that the payments were therefore covered by the Lending Standards Board's Contingent Reimbursement Model (CRM) Code. The Investigator didn't consider any of the exceptions of the CRM Code applied to Mrs J and Mr M's circumstances and therefore recommended that HSBC refunds them in full.

Mrs J and Mr M agreed with the Investigator's view but HSBC didn't. It didn't think this was a complaint that should be considered by our service, based on the complexity of the matter and that in any event, our service should await the outcome of the Police's investigation before reaching a finding. It also didn't agree that interest should be applied to our award, as there was no evidence that Mrs J and Mr M's funds wouldn't otherwise have been kept in a low or non-interest bearing account.

As HSBC disagreed with the Investigator's view, the complaint has been referred to me for a final 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.

Having done so I've decided to uphold their complaint for the following reasons.

It isn't in dispute that Mrs J and Mr M authorised the payment they're now disputing, so the starting position in law is that they are liable for it. But HSBC was signatory to the CRM code at the time of this payment – under which firms are generally expected to refund victims of APP scams.

HSBC has maintained that both it, and our service, should wait on the outcome of the Police investigation before progressing complaints against C. There is an exception under the CRM Code (R3(1)(c)) that states that firms should make a decision as to whether or not to reimburse a customer without undue delay but that, if a case is subject to investigation by a statutory body and the outcome might reasonably inform the firm's decision, it may wait for the outcome of the investigation before making a decision.

While this exception provides a reason why firms *may* delay providing a claim outcome under the CRM Code, it doesn't impact that customer's right to refer the complaint to our service – and similarly it doesn't impact our service's ability to provide a complaint outcome when we consider we have sufficient evidence to do so.

There may be circumstances and cases where it's appropriate to wait for the outcome of external investigations. 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. I'm also conscious that any criminal proceedings that may ultimately take place 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 (the balance of probabilities).

In order to determine this complaint, I have to ask myself whether, on the balance of probabilities, the available evidence indicates that it's more likely than not that Mrs J and Mr M were the victims 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'm also mindful 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 Mrs J and Mr M 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 satisfied there is already enough evidence to conclude that Mrs J and Mr M were the victims of an APP scam for the following reasons:

- C held accounts which show around £6,000,000 being spent in a way that appears consistent with property development. But it also received around £20,200,000 from investors. Given C's standard unit price of £13,500, that means it would need to have entered around 1,500 property agreements. But the outgoing payments aren't consistent with C paying for rent, refurbishments and furnishings for this many agreements.

- C claimed to have held contracts with several local authorities, but its beneficiary statements show no incoming payments from them, or from housing providers. Several authorities C claimed to have contracts with have also confirmed they had no working relationship with C – and one has also confirmed that an invoice C used to demonstrate its relationship with the authority was forged. Additionally, one ‘director’ of C was removed from Companies House due to that individual having had no connection to C and their identity stolen, which also indicates dishonest deception by C.
- Our service has seen from around 100 complaints against C that in at least 6 cases, the same unit was sold to multiple investors. Additionally, the addresses of the buildings in question were ones where the owners have confirmed no relationship with C. We’ve seen further cases of properties remaining derelict after the investment, despite claims that they were generating an income.
- Having reviewed C’s accounts, around a third of the investment capital wasn’t used for the purpose of securing and developing properties to be used for social housing – ranging from cash withdrawals, to payments to individuals involved in operating C, to paying jewellers, restaurants and more. There are further substantial withdrawals and payments for which the purpose is unknown.
- Around £440,000 C received could be legitimate income, although none of this came from local authorities or social housing providers. But in comparison £2,500,000 was paid to investors. It’s clear this didn’t come from genuine income – strongly indicating C was operating a Ponzi scheme.

Overall, there is little to suggest any transactions are consistent with C completing property development for the benefit of investors, and much more to suggest C wasn’t using investors’ funds for the intended purpose. Even if any of the funds C received were used for property development, it seems likely this was done with the intention of inducing further individuals to invest as part of an overall scam. For these reasons, I’m satisfied Mrs J and Mr M’s payments to C meet the CRM code’s definition of an APP scam – and it’s unlikely the outcome of the police investigation will impact this.

I’ve therefore thought about whether there are any valid exceptions to reimbursement under the CRM Code.

Under the CRM Code, a bank may choose not to reimburse a customer if it can establish that*:

- The customer ignored what the CRM Code refers to as an “Effective Warning” by failing to take appropriate action in response to such an effective warning
- The customer made payments without having 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

**Further exceptions outlined in the CRM Code do not apply to this case.*

HSBC hasn’t provided any commentary, either in its file to us, or following the investigator’s view, as to whether it considers any exceptions to the CRM Code should be applied here. And it’s for HSBC to establish that an exception applies. However, for completeness, I’ve provided a brief summary below as to why I think Mrs J and Mr M’s complaint should be covered by the CRM Code.

Did Mrs J and Mr M ignore an effective warning when making payments to C?

HSBC has explained that for some payments made towards the scam, it provided an on-screen warning regarding investments. It doesn't appear that the payment referenced above specifically raised a scam warning, but having considered the warning in any event that Mrs J and Mr M saw for other payments, I don't think it can be considered effective under the CRM Code. A number of elements of the warning weren't relevant to Mrs J and Mr M's circumstances. The warning did reference the FCA register, but didn't clearly highlight the danger of investing with a firm not listed. I therefore don't think HSBC can rely on this exception as a reason to not reimburse.

I've therefore thought about whether Mrs J and Mr M had a reasonable basis for believing they were making a legitimate payment. I've reviewed the messaging correspondence between them and C prior to making a payment and can see they asked a lot of questions about how the investment works, its reliability so far for other investors and queried points like what other companies C was contracting with. I don't think there was anything within the responses from C that ought to have alerted Mrs J and Mr M that something here was amiss. Mrs J and Mr M have also explained that they had checked on Companies House that C was registered, had seen positive online reviews as well as online articles about C, and had also received professional appearing brochures about the investment. I therefore don't think Mrs J and Mr M acted unreasonably by proceeding with the investment.

In response to HSBC's concerns regarding interest applied, I've determined that HSBC could have identified that Mrs J and Mr M had fallen victim to a scam when they first raised their claim. Therefore, by not reimbursing them at this time, they have been deprived of funds, which is what our interest award aims to compensate for. I'm not persuaded by HSBC's comments in this particular case that interest should not be applied for reasons given.

Putting things right

To put things right, HSBC UK Bank Plc must refund Mrs J and Mr M the disputed payment they sent C as part of the scam.

HSBC UK Bank Plc should pay 8% simple interest per year on this amount, running from the date it declined to refund them to the date of settlement (or 15 days from when they raised their claim, if earlier). This is to compensate Mrs J and Mr M for the loss of use of these funds from the point at which it should have refunded them.

In order to avoid the risk of double recovery, HSBC UK Bank Plc is entitled to take (if it wishes) an assignment of the rights to all future distributions in relation to scam payments we're upholding that arise, such as from the police investigation and criminal proceedings, before paying the award.

My final decision

For the reasons given above, my final decision is that I uphold this complaint and direct HSBC UK Bank Plc to put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs J and Mr M to accept or reject my decision before 4 February 2026.

Kirsty Upton
Ombudsman