

The complaint

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

What happened

In April 2020, Mr B decided to invest in a company which leased cars. He understood his investment would be used to fund vehicles which would then be leased out, and that he would receive fixed interest payments each month. And Mr B then made two payments totalling £14,000 from his HSBC account to account details he was given for the car leasing company.

I've set out the payments Mr B made below:

Date	Amount
23 April 2020	£1
24 April 2020	£13,999

Mr B received the interest payments he was told he would until January 2021, but the payments then stopped. And after the car leasing company went into administration, Mr B suspected he had been the victim of a scam and reported the payments to HSBC.

HSBC investigated but said it felt this was a civil dispute between Mr B and the car leasing company, rather than a scam. So it didn't agree to refund the money he had lost. Mr B 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 it was fair to delay the outcome of the complaint. They also thought the circumstances here met the definition of a scam and didn't think HSBC had established that Mr B wasn't entitled to a refund. So they recommended HSBC refund his losses in full. HSBC 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 these payments, HSBC was a signatory of the Lending Standards Boards Contingent Reimbursement Model (the CRM code). This required firms to reimburse customers who had 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.

Is it appropriate to determine this complaint now?

HSBC has argued that the payments Mr B made are the subject of an ongoing court case and it doesn't believe it is safe to hold it liable for Mr B's losses before the outcome of this case is known. So I've considered whether it would be appropriate to delay my decision in the interests of fairness, as a case against the car leasing company's directors is still progressing through court.

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 is the balance of probabilities).

In order to determine Mr B'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 he was 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 aware that Mr B first raised his claim with HSBC in July 2025, and 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 B 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.

The Serious Fraud Office (SFO) had been carrying out an investigation into the car leasing company and several connected companies. But that investigation concluded on 19 January 2024 when the SFO published the outcome of the investigation, which included the charging of former company directors with fraud, on its website.

The Lending Standards Board has also said that the code does not require a criminal test to have been met before a reimbursement decision can be reached. Nor does it require a firm to prove the intent of the third party before a decision can be reached.

So, for reasons I'll explain in more detail below, I don't think it's necessary to wait for the outcome of any connected court case for me fairly to reach a decision on whether HSBC should reimburse Mr B under the provisions of the CRM code. I'm satisfied there is already convincing evidence to demonstrate on the balance of probabilities that those who invested with the car leasing company were dishonestly deceived about the purpose of the payments they were making and that Mr B was the victim of a scam. So it is appropriate for me to consider this complaint.

I'm also aware that the Financial Services Compensation Scheme (FSCS) is accepting customer claims submitted to it against the car leasing company's parent company. More

information about the FSCS's position on claims submitted against the parent company can be found on the FSCS's website.

The FSCS is also aware that we have issued recent decisions upholding complaints against banks related to the car leasing scheme. Whether the FSCS pays any compensation to anyone who submits a claim to it is a matter for FSCS to determine, and under their rules. It might be that the parent company has conducted activities that have contributed to the same loss Mr B is now complaining to us about in connection with the activities of HSBC.

As I'm minded to uphold this complaint for the reasons given below, Mr B should know that as he will be recovering compensation from HSBC, he cannot claim again for the same loss by making a claim at the FSCS (however, if the overall loss is greater than the amount he recovers from HSBC, he may be able to recover that further compensation by making a claim to the FSCS, but that will be a matter for the FSCS to consider and under their rules.) Further, if Mr B has already made a claim at the FSCS in connection with this matter, and in the event the FSCS pays compensation, Mr B is required to repay any further compensation he receives from his complaint against HSBC, up to the amount received in compensation from the FSCS.

Our service and the FSCS operate independently, however in these circumstances, it's important that we and the FSCS are working together and sharing information to ensure that fair compensation is awarded. More information about how we share information with other public bodies can be found in our privacy notice on our website.

Has Mr B been the victims of a scam, as defined in the CRM 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 B has been the victim of a scam as defined in the CRM code I need to consider whether the purpose he intended for the payments was legitimate, whether the purposes he and the car leasing 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 and what he's told us, I'm satisfied Mr B made the payments here with the intention of investing with the car leasing company. He thought his funds would be used to purchase a vehicle which would then be leased out, and that he would receive returns on his investment. And I haven't seen anything to suggest that Mr B didn't think this was legitimate.

But I think the evidence I've seen suggests the car leasing company didn't intend to act in line with the purpose for the payments it had agreed with Mr B.

Mr B was led to believe his capital would be used to fund a specific vehicle, which would be secured in his favour until the lease was repaid. The marketing material he was given refers to the investment as 'asset-backed' and frequently refers to the investor's car or the car they have funded. And Mr B was given a vehicle funding form, which stated he had funded one unit and the make of the specific vehicle would be confirmed later.

But there's no record at Companies House of any charge in Mr B's favour over any vehicle with the company following his investment. And the Financial Conduct Authority (FCA)'s supervisory notice to one of the connected companies said that, while the companies had around 1,200 customers and had entered around 1,200 leases, they had only registered 69 vehicles at Companies House – which suggests the vast majority of the vehicles funded weren't secured in the way Mr B was led to believe his would be.

The FCA also checked a sample of the vehicles the companies held against the DVLA database, and found a significantly larger proportion of these were second-hand than the companies' stated business model suggests or would support – as it relied on securing significant discounts on new vehicles, which wouldn't be available on second-hand vehicles.

It also found a number of leases started significantly before the vehicles were put on the road, and some vehicles not found on the database at all. And the FCA said it considered the companies' valuation of the vehicles it held was unrealistic and that the group's liabilities significantly exceeded its assets.

A report by the administrators of one of the connected companies also said that the total number of loan agreements was 3,609, relating to 834 investors, but that the number of vehicles held by the group at the appointment of the administrators was 596 – or less than one car for every six loan agreements.

So I think the evidence shows the car leasing company wasn't acting in line with the business model and features of the investment it had led Mr B to believe he was making. And so the purpose the company intended for the payments Mr B made wasn't aligned with the purpose Mr B intended for the payments.

The SFO has also said that the former company directors are accused of providing those who invested with false information and encouraging people to pay in whilst knowing that investments were not in reality backed up by the cars they had been promised. So I think the discrepancy in the alignment of the payment purposes between Mr B and the company was the result of dishonest deception on the part of the company.

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. As I've explained above, there is significant evidence about the actual activity carried out by the car leasing company already available. And while the connected court case is still ongoing, there is no certainty as to when it would be concluded nor what, if any, new light it would shed on the evidence and issues I've discussed.

I've also considered that there may be evidence our service does not have access to or that may become available at a later date. But, for the reasons I've explained above, I'm satisfied there is sufficient evidence available here for me to come to a fair and reasonable decision on this complaint and I don't consider it likely that the outcome of any ongoing investigation or court case would significantly affect the conclusions I have reached.

And so I still think the circumstances here meet the definition of a scam from the CRM code.

Is Mr B entitled to a refund under the CRM code?

As I explained above, HSBC was a signatory of the Lending Standards Boards Contingent Reimbursement Model (the CRM code). This code required firms to reimburse customers

who had been the victim of authorised push payment scams, like the one I've explained I'm satisfied Mr B fell victim to, in all but a limited number of circumstances. And it is for the firm to establish that one of those exceptions to reimbursement applies.

Under the CRM code, a firm may choose not to reimburse a customer if it can establish that:

- The customer ignored an effective warning in relation to the payment being made
- The customer made the payment without a reasonable basis for believing that:
 - o the payee was the person the customer was expecting to pay;
 - o the payment was for genuine goods or services; and/or
 - o the person or business with whom they transacted was legitimate

There are further exceptions within the CRM code, but these don't apply here.

HSBC hasn't suggested that it flagged the payments Mr B made here as suspicious, or that he was shown any warnings when the payments were made. So I don't think HSBC has established that Mr B ignored an effective warning in relation to the payments here.

And from what I've seen, the communication Mr B had with the car leasing company and the documents he received about the investment all appear to have been relatively professional and looked legitimate. The way Mr B were told the investment would work doesn't appear to be suspicious and the returns he was told he would receive don't appear to be too good to be true. And it appears the company had been operating for several years, one of the connected companies was authorised and regulated by the FCA, and a number of previous investors had received the returns they were told they would. So I don't think there was anything about the investment that should have caused Mr B significant concern, or that HSBC has established that he made the payments without a reasonable basis for belief that the investments was legitimate.

And so I don't think HSBC has established that any of the exceptions to reimbursement under the CRM code apply here, and so it should refund the money Mr B lost in full.

Redress

As Mr B received a number of monthly interest payments back from the car leasing company in relation to these payments, I think it would be fair for these payments to be deducted from the amount HSBC has to refund him. From what I've seen, Mr B's payments to the car leasing company totalled £14,000, and he received interest payments back following this, totalling £2,406.24. So his remaining loss to be refunded is £11,593.76.

I also don't think any action I would've expected HSBC to take would have prevented Mr B making these payments, as I don't think any of the information I would've reasonably expected it to have uncovered at the time of the payments would've uncovered the scam or caused it significant concern.

But I do think there was sufficient evidence available at the time – particularly the outcome of the SFO investigation published on 19 January 2024 – for HSBC to assess Mr B's claim and conclude that he had been the victim of a scam. So I think HSBC should have refunded Mr B's losses in its original response to his claim, and so should now pay 8% interest on this refund from the deadline for its original response to his claim until the date of settlement.

My understanding from the administrator's statement about the car leasing company and connected companies is that the company owed over £40 million to investors that it was unable to pay – and that this far outweighs its assets. So it is far from certain that complainants will receive anything back at all. But it is possible Mr B may recover some

further funds in the future so in order to avoid the risk of double recovery, if it wishes, HSBC is entitled to take an assignment of the rights to all future distributions under the administrative process before paying the award.

My final decision

For the reasons set out above, I uphold this complaint and require HSBC UK Bank Plc to:

- Refund Mr B the £11,593.76 loss he suffered as a result of this scam
- Pay Mr B 8% simple interest on that refund, from the deadline for its original response to their claim until the date of settlement

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 13 March 2026.

Alan Millward
Ombudsman