

The complaint

Miss G complains HSBC UK Bank Plc won't refund the money she says she lost to a scam.

What happened

Miss G joined a property investment network that promoted investment opportunities. Through this, she found out about "C". She understood they were offering a "government-backed" investment based on them renovating and renting out properties as social housing through councils and housing authorities they held contracts with. Miss G proceeded to invest, sending two payments of £7,000 and £6,500 to C in September 2024 followed by £15,000 in October 2024 from her HSBC account, as well as sending a further payment from another account.

After making the payments, Miss G saw information online about C experiencing banking issues, and was then told their accounts had been frozen. Miss G reported to HSBC that C had scammed her, and asked it to refund her, but it declined. When she complained about this, it said it wasn't liable to refund her under the reimbursement schemes that applied to the payments – the Contingent Reimbursement Model (CRM) code for the September payments and the Faster Payments Scheme (FPS) Reimbursement Rules for the October payment – as there was an ongoing police investigation into C.

Unhappy with HSBC's response, Miss G referred the matter to our service. Our investigator upheld her complaint. In summary, they weren't persuaded it was fair for HSBC to hold off on answering Miss G's claims as they thought there was sufficient evidence that C were likely a scam when the matter was reported. And they weren't persuaded any exceptions to reimbursement applied under the relevant reimbursement schemes.

HSBC has appealed the investigator's outcome. In summary it said our service shouldn't be considering this matter due to its complexity, and it should be allowed to wait for the outcome of the police investigation to answer Miss G's claim – stating the CRM code wasn't put in place to protect customers from risky investments.

HSBC also said that, if we do uphold the complaint, no interest should be applied to our award, or it should be applied at a lower rate, and that it should only run from a reasonable period of time after a final and binding decision.

What I've decided – and why

I don't agree the matter is too complex for us to consider, and I'm satisfied I have enough persuasive evidence (which I will be addressing below) to reach a fair decision without seriously impairing the effective operation of our service.

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Overall, I'm persuaded Miss G was scammed, and that HSBC ought reasonably to have reached this conclusion when she reported this matter directly – without waiting on the outcome of the police investigation into C. I therefore agree with the investigator that HSBC should reimburse Miss G's loss. I'll explain why.

Miss G authorised the payments to C so the starting position in law is that she is liable for them. But there are further considerations given that she says she was scammed into making them. As the considerations are different for the September and October payments, I'll address these separately.

The September 2024 payments

Miss G sent C a total of £13,500 from her HSBC account in September 2024. At the time of these payments, HSBC was signatory to the CRM code – under which firms are generally expected to refund victims of APP scams.

Firms must normally respond to a claim under the CRM code within 15 days. But HSBC sought to decline considering it in line with R3(1)(c) of the CRM code, which says:

“if a case is subject to investigation by a statutory body and the outcome might reasonably inform the Firm's decision, the Firm may wait for the outcome of the investigation before making a decision.”

I've carefully considered whether it would be fair for HSBC to reply on this to delay answering Miss G's claim. While there is an ongoing police investigation into C, the specific details haven't been shared with our service. It's not clear whether any proceedings will concern charges that will have a significant bearing on the issues relevant to this complaint. As HSBC is aware, any criminal proceedings that may take place in connection with C will be based on the criminal burden of proof – whereas our service makes decisions on the balance of probabilities.

I therefore don't consider it clear how or whether the investigation might reasonably inform HSBC's decision. We also don't know how long the investigation will take; it could be months or years. Overall, I'm satisfied I already have enough persuasive evidence to show Miss G was likely scammed – and that HSBC had enough information to reach this conclusion when Miss G reported the matter directly.

Here is the CRM code's definition of an APP scam (which is also reflected in the FCA handbook's definition):

“Authorised Push Payment scam, that is, a transfer of funds executed across Faster Payments, CHAPS or an internal book transfer, authorised by a Customer in accordance with regulation 67 of the PSRs, where:

- i) The Customer intended to transfer funds to another person, but was instead deceived into transferring the funds to a different person; or*
- ii) The Customer transferred funds to another person for what they believed were legitimate purposes but which were in fact fraudulent.”*

I consider it clear Miss G intended to pay C for what he believed was a legitimate purpose (for a property development investment). So, I've gone on to consider whether C's intended purpose was broadly aligned with his at the time – and, if not, whether this was the result of a dishonest deception by C. For the following reasons, I'm persuaded C fraudulently deceived Miss G into making these payments.

C held accounts which show around £6,000,000 being spent in a way that appears consistent with property development. But they also received around £20,200,000 from investors. C's standard unit price was £13,500. So, that means they 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 hold contracts with local authorities – as they would need to have done to fulfil the investor agreements. But their beneficiary statements show no incoming payments from local authorities or housing providers.

Additionally, several local authorities have confirmed they didn't have a working relationship with C – with one confirming an invoice C used to supposedly demonstrate their working relationship was forged. A director of C was also removed from Companies House due to their identity being stolen; they had no connection to C. This speaks to a dishonest deception by C.

Our service has seen evidence that at least six different units were sold to multiple investors. This comes from complainants providing the individual property addresses they thought their investment was purchasing across around 100 complaints. This information also shows around half of those addresses were in buildings where the owners have confirmed they didn't have a relationship with C.

We've also seen instances where the properties remained derelict after the investment was made or remained under construction when they were supposedly generating an income. All of this makes it seem unlikely C intended to use Miss G's payments for genuine property development investments.

Turning back to C's accounts, we can see 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 which the purpose for 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 were 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 weren'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 encouraging further investment as part of an overall scam. For these reasons, I'm satisfied Miss G's payments meet the CRM code's definition of an APP scam – and it's unlikely the outcome of the police investigation will impact this.

HSBC says the CRM Code wasn't put in place to protect consumers from risky investments. But it was put in place to protect victims of APP scams – which I've determined Miss G was. The starting position under the code is that she should be refunded for the loss incurred from these payments. However, there are some exceptions under the code which, if applicable, firms can rely on to decline reimbursement.

HSBC hasn't suggested that any exceptions (such as one regarding whether the consumer had a reasonable basis for believing that the payee was the person they were expecting to pay; the payment was for genuine goods or services; or the person or business with whom they transacted was legitimate) apply. Nor do I think any could fairly be applied.

I'm conscious Miss G found out about C from another genuine company who she had been using for some time, and that she took steps to look into C before proceeding. C were registered on Companies House and provided professional-looking documentation. While high returns were offered, C claimed this was due to the nature of the contracts they held and the need for the government to provide social housing.

In the overall context of this sophisticated scam, I consider it reasonable Miss G believed C were offering a legitimate investment and proceeded to make these payments. I therefore think HSBC should refund her in full for these payments under the CRM code.

The October 2024 payment

By the time of Miss G's final payment to C, the FPS Reimbursement Rules were in effect. These require Payment Service Providers (PSPs) such as HSBC to reimburse APP scam victims, and to give a reimbursement decision within five days of a scam claim being made, in most circumstances. In some instances, this can be extended to a maximum of 35 days. Unlike the CRM code, there is no specific provision under the rules for a PSP to delay giving an answer beyond this maximum timeframe, regardless of any ongoing police investigations.

The FPS Reimbursement Rules define an APP scam as:

“Where a person uses a fraudulent or dishonest act or course of conduct to manipulate, deceive or persuade a Consumer into transferring funds from the Consumer's Relevant account to a Relevant account not controlled by the Consumer, where:

- *The recipient is not who the Consumer intended to pay, or*
- *The payment is not for the purpose the Consumer intended*

For the avoidance of doubt, if the Consumer is party to the fraud or dishonesty, this is not an APP scam for the purpose of the FPS reimbursement requirement or the FPS reimbursement rules.”

I consider this definition materially similar to the CRM code. And it's clear Miss G wasn't involved in C's deception. So, for the reasons I've set out above, I'm persuaded HSBC should have concluded the October 2024 payment was also an APP scam, and gone on to consider Miss G's claim, within the maximum timeframe set by the rules. I've therefore gone on to consider whether it should have agreed to reimburse this payment.

The rules set out the requirements for when covered payments should be reimbursed. In summary, HSBC would be expected to refund Miss G if she was vulnerable at the time of making (one of) the scam payments and this materially impacted her ability to protect herself from the scam. From what I know of Miss G's circumstances, I don't think she can fairly be deemed vulnerable – nor has she suggested she should be.

HSBC would still be expected to refund Miss G unless it showed an exception applied under the “Consumer Standard of Caution”. That would involve showing that, as a result of gross negligence, Miss G failed to meet one of the following standards:

- The consumer should have regard to any intervention made by their PSP and/or by a competent national authority.

- The consumer should, upon learning or suspecting that they have fallen victim to an APP scam, report the scam claim promptly to their PSP.
- The consumer should respond to any reasonable and proportionate requests for information made by their PSP for a limited number of purposes (principally to validate the scam claim and whether it is reimbursable).
- The consumer should, after making a scam claim, consent to the PSP reporting to the police on the consumer's behalf or request they directly report the details of a scam to a competent national authority.

HSBC hasn't sought to rely on any of these exceptions. Nor do I think any could fairly be applied here. I'm mindful HSBC did intervene on payments sent to the scam. It spoke to Miss G directly about both September 2024 payments, and also showed her some scam warnings when she made the October 2024 payment. But when discussing the nature of the investment with Miss G, HSBC didn't give the impression it had much concern about C. Nor do I think any warnings it gave were particularly relevant to the features of this scam – given that it was a complex/sophisticated operation.

Overall, I'm satisfied Miss G didn't fail to have regard for HSBC's interventions with gross negligence. Rather, she engaged with the interventions, but they didn't give her reasonable cause to suspect C were a scam. I'm therefore persuaded HSBC should reimburse this payment in line with the FPS Reimbursement Rules. These do allow that, as Miss G isn't vulnerable, HSBC can "deduct" £100 from the claim.

Interest

I agree with the investigator that HSBC had enough information when Miss G claimed directly to agree to reimburse her. That is bearing in mind the timeframe available for it to request anything further it considered relevant, such as from the receiving account provider. I therefore consider it reasonable to apply interest to the refunds from 35 days after she reported the matter – as that is the longest timescale allowed under the reimbursement schemes that apply across these payments.

I think this interest should be paid at a rate of 8% simple per year from the point Miss G was deprived of these funds – which, at the latest, was 35 days after she raised this matter. This is consistent with what a court would award where a claimant has been deprived of funds – and follows our service's usual approach, which HSBC should be familiar with. I'm not persuaded HSBC has raised anything that shows this award would be unfair in the particular circumstances of Miss G's complaint.

Putting things right

To put things right, HSBC UK Bank Plc must refund Miss G in full for the two payments she sent to C in September 2024. And it should refund her for the payment she sent C in October 2024, less a deduction of up to £100 for the excess it can choose to apply.

HSBC UK Bank Plc should pay 8% simple interest per year on top of this total amount, running from 35 days after Miss G first made HSBC aware she thought she had fallen victim to an APP scam to the date of settlement.

If HSBC UK Bank Plc considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Miss G how much it's taken off. It should also give her a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

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 Miss G to accept or reject my decision before 26 February 2026.

Rachel Loughlin
Ombudsman