

The complaint

Mr B complains that HSBC UK Bank Plc won't reimburse him after he made payments towards an investment that he now considers to have been a scam.

Mr B is professionally represented in bringing his complaint, but for ease of reading, I'll refer to all submissions as being made by Mr B directly.

What happened

Mr B has explained that he became aware of an investment opportunity (that I'll refer to as 'I') that several of his friends had already invested in. Mr B's friends raised the opportunity with Mr B, as they considered the returns to be impressive. One of Mr B's friends also knew individuals who had worked with I's director. Interested in finding out more, Mr B arranged to meet the director of I himself, along with some other individuals from the finance industry who were also interested in investing.

Mr B has explained he found the director to be knowledgeable and was able to confidently answer all questions posed to him by individuals who Mr B considered to be senior in the financial sector. Mr B therefore decided to invest. In September 2022, he made two payments towards the investment, totalling £40,000.

Mr B received £20,000 from I in February 2023 after requesting a drawdown. However, in July 2023 he requested to withdraw a further £20,000 but I became unresponsive. Mr B is now aware of police investigations into I.

Believing he'd fallen victim to a scam, Mr B raised a claim with his bank, HSBC. HSBC considered his claim but didn't find it was liable to reimburse him, as it said this was a civil dispute between Mr B and I.

Mr B remained unhappy and referred his complaint to our service. An Investigator looked into Mr B's complaint and upheld it. She thought the evidence supported that Mr B had been the victim of a scam and that his claim should be covered in full by the Lending Standards Board Contingent Reimbursement Model (CRM) Code.

HSBC disagreed with the Investigator's view, highlighting that Mr B received 50% of his investment back without further payments being made, which it didn't think was indicative of a scam. As HSBC disagreed, the complaint has been referred to me for a final decision.

I contacted HSBC informally about this complaint, setting out why I was minded to agree with the Investigator's view, but as HSBC didn't respond within the timeframes provided, I'll now issue my 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.

It isn't in dispute that Mr B authorised the payments he's now disputing, so the starting position in law is that he is liable for them. But HSBC was signatory to the CRM Code at the time of these payments – under which firms are generally expected to refund victims of APP scams. However, the CRM Code doesn't apply to civil disputes.

I've therefore considered whether the evidence currently available is sufficient to conclude that Mr B was the victim of a scam, rather than a failed investment. This point has already been covered in great detail by the Investigator, and I therefore have little further to add other than what has already been set out. However, I consider the key evidence that this was a scam, rather than an investment, to be as follows:

- I was required to be regulated by the Financial Conduct Authority in order to provide the service that it was claiming to, but it wasn't regulated. It seems the director was aware of this fact, given he gave false reasons for why he wasn't regulated and assurances that this process was pending, despite there being no evidence of this. I find it hard on this basis alone to determine other than this being a scam. Quite simply, the director led investors to believe he was following necessary regulatory requirements and wasn't.
- I've reviewed I's bank statements and can see that while there were *some* payments made to Forex, this was only a small proportion of payments it was receiving – and the subsequent Forex credits it received weren't close to covering returns paid out to investors. It therefore seems hard to argue other than payments made out to investors such as Mr B weren't 'returns' but simply money received from other investors, as is seen in a pyramid scheme.
- HSBC has questioned the returns Mr B received, despite not making further investment payments. However, I disagree that this is not fairly typical for a pyramid scheme – the premise of these scams is for investors to receive impressive returns and thereby encourage others to join and also invest - and it's not uncommon for early investors to even receive more from the scam than they invested. Additionally, while Mr B requested a second return to be processed and this was never complied with, I can see from I's bank statements that it continued to receive further payments in from investors.
- I claimed to offer guaranteed returns of 13% per month, despite 'trading' in a highly volatile area.

For these reasons I am of the opinion that I was a scam, rather than a failed investment and Mr B's claim should therefore be covered by the CRM Code.

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.*

Did HSBC provide Mr B with an effective warning when making payments?

When Mr B made the first payment to I, he was asked to provide the payment purpose and selected 'investment'. HSBC provided Mr B with an on-screen warning that, among other things, told Mr B not to make the payment if he'd been cold called, to check the FCA register for the firm and to ensure the individual he was liaising with worked for the firm.

Having considered the warning, I don't think it can be considered 'effective' under the CRM Code. The warning covers several elements of different investment scams but doesn't bring them 'to life'. While it references the FCA, it doesn't explain what this is, or the importance of being authorised.

I therefore don't think HSBC can rely on its warning provided as a valid exception to reimbursement.

Did Mr B have a reasonable basis for believing he was making legitimate payments?

I think Mr B did have a reasonable basis for believing he was making genuine investment payments for the following reasons:

- Mr B was aware of several others who had already invested and were impressed by their returns. This included friends in senior roles of major banks, who he believed had superior knowledge of a strong investment opportunity.
- Mr B met personally with the director of I, alongside friends in the finance industry and asked, what he thought, were pertinent questions regarding how profits are made, how assets are kept separate and questioned FCA regulation. He's said he was given persuasive answers that reassured him on the legitimacy of the scheme and how the high returns quoted were made possible.
- Mr B had checked I online and saw it was on Companies House. While there were no accounts visible, this didn't concern him, given it was, at the time, a relatively new business.
- Mr B researched I more widely online and found nothing untoward about it.

Given the assurances Mr B had received from people he knew, and the checks he'd conducted, I don't think there's much more Mr B could reasonably have been expected to do to assure himself of the legitimacy of this investment.

I therefore don't think HSBC can rely on any exceptions of the CRM Code and he is therefore entitled to reimbursement of his remaining losses.

My final decision

My final decision is I uphold Mr B's complaint. I direct HSBC UK Bank Plc to:

- Reimburse Mr B the remaining £20,000 he lost to the scam;
- Apply 8% simple interest from 15 days after Mr B made his complaint to HSBC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 25 February 2026.

Kirsty Upton
Ombudsman