

## **The complaint**

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

## **What happened**

Miss S came across an online advert for a property development investment opportunity with a company, "C". She sent them £13,000 in August 2024 to invest in a property unit, on the understanding C would be renovating and renting it out as social housing through councils and housing authorities they held contracts with.

Miss S was told she'd receive monthly returns, but the first instalment wasn't paid. She then saw information online suggesting problems with C – who ultimately announced their accounts were frozen. She complained to HSBC (via a professional representative) that C had scammed her and that she should be refunded under the terms of the Contingent Reimbursement Model (CRM) code, under which victims of Authorised Push Payment (APP) scams are generally entitled to reimbursement.

HSBC didn't agree to refund Miss S. It said C were subject to a law enforcement investigation, which was likely to inform its decision on her CRM code claim, so it wouldn't consider her claim. Unhappy with this response, Miss S referred the matter to our service.

Our investigator upheld the complaint. In summary, he wasn't persuaded it was fair for HSBC to decline to consider Miss S's claim or refund her. He thought it was already clear enough that the payment met the CRM code's definition of an APP scam, and that no exceptions to reimbursement applied. He recommended HSBC should refund Miss S's payment to C – and pay interest on top of this to compensate her for the delay in doing so.

Miss S accepted the investigator's outcome but HSBC appealed. It maintained it was fair to wait on the outcome of the police investigation, and said the code wasn't put in place to protect consumers from risky investments. It also said the complexity of the matter means our service shouldn't consider this complaint. And that no interest should be applied to our award, or a lower rate should be applied, and that it should only run from a reasonable period of time after a final and binding decision. The investigator explained these points didn't change his mind, so HSBC has asked for the matter to be reviewed by an ombudsman.

## **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.

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. For the following reasons, I've decided to uphold this complaint.

Miss S authorised the payment to C so the starting position in law is that she is liable for it. But HSBC was signatory to the CRM code at the time of the payment – 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.”*

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. So, it’s unclear how or whether the investigation might reasonably inform HSBC’s decision.

In a similar vein, I don’t think it would be fair to dismiss this complaint prior to the investigation completing as our service must consider complaints quickly and with minimum formality. We don’t know how long the investigation will take; it could be months or years. I don’t think it would be appropriate to delay giving an answer on this complaint, for an undefined period of time, unless doing so was likely to significantly help me decide this issue.

Overall, I’m satisfied I already have enough persuasive evidence to show Miss S was likely scammed – and it’s unlikely the police investigation will affect this. I’m also persuaded HSBC had enough information to reach this conclusion when Miss S first claimed. I’ll explain why.

Here is the CRM code’s definition of an APP scam:

*“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 S intended to pay C for what she 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 hers 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 S into making this payment.

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. C’s standard unit price was £13,500. So, 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 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 S's payment for a genuine property development investment.

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 S's payment meets 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 in place to protect consumers from risky investments. But it was in place to protect victims of APP scams – which I've determined Miss S was. The starting position under the code is that she should be refunded. However, there are some exceptions under the code which, if applicable, firms can rely on to decline reimbursement.

Of relevance here is that firms can choose not to reimburse a customer if they ignored an effective warning. Or if they made the payment(s) without having 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. There are further exceptions within the CRM code but they aren't relevant here.

HSBC did display warnings to Miss S when she set up the payments. But in order to decline to refund her based on these warnings, it would need to show they met the CRM code's criteria for an effective warning – including being impactful (i.e. positively affecting the likelihood of the scam succeeding). And I don't think they met that bar.

The warnings were all fairly broad, and I don't think they would have resonated with Miss S as they didn't reflect the key features of this scam. Miss S was warned about being told to mislead her bank about the payment purpose, but that wasn't relevant here. She was also warned about being put under pressure, and how scammers can build up a relationship over social media to gain trust. I don't think that matched the circumstances either – she was the one to respond to C's advert and didn't feel under pressure. In the circumstances, I'm not persuaded the warnings can reasonably be deemed effective.

I'm also persuaded Miss S had a reasonable basis for belief when she made these payments. C were registered on Companies House and provided professional-looking documentation and marketing, including providing a professional contract and invoice for her investment. There also weren't any obvious public concerns about C at the time. While I accept high returns were offered, C claimed this was due to the nature of the contracts it held and the need for the government to provide social housing. In the overall context of this sophisticated scam, I consider it reasonable Miss S believed C were offering a legitimate investment.

Overall, I don't think HSBC has demonstrated that any exceptions to reimbursement apply under the CRM code. I therefore think it should refund Miss S's outstanding loss in full.

I agree with the investigator that HSBC had enough information when Miss S raised her claim to agree to refund her. As she has been deprived of the use of these funds since HSBC declined to refund her, I'm persuaded it should pay 8% simple interest per year on this amount. This is consistent with what a court would award where a claimant has been deprived of funds, as is the case here. It also 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 S's complaint.

### **Putting things right**

To put things right, HSBC UK Bank Plc must refund Miss S for the disputed payment she sent to C. And it should pay 8% simple interest per year on this amount, running from the date it declined to refund Miss S to the date of settlement. This is to compensate her for the loss of use of these funds from the point at which it should have refunded her.

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 S 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 S to accept or reject my decision before 9 January 2026.

Rachel Loughlin  
**Ombudsman**