

## **The complaint**

Mr M complains that HSBC UK Bank Plc didn't do enough to prevent him losing money to what he now believes was a scam.

## **What happened**

The detailed background to this complaint is well known to both parties. So, I'll only provide an overview of some of the key events here.

In February 2023, Mr M says he lent £10,000 to a friend to support their embroidery business. The friend repaid £400 per month in April and May 2023 but then the payments stopped. Mr M now believes he was defrauded.

Mr M complained to HSBC and asked that it refund his remaining loss. HSBC concluded this to be a civil matter between Mr M and his friend and declined reimbursement.

Mr M disagreed and brought his complaint to our service. Our Investigator said that without a copy of the loan agreement, it is unclear what terms were in place between Mr M and his friend, or why repayments stopped after two months. She couldn't be sure whether the payments stopped because the friendship broke down, or if the friendship ended due to payments stopping. She felt the fact that some repayments were made suggests that the arrangement may have started legitimately. And as the recipient was someone Mr M considered a friend and had known for six months, it was difficult to establish if the friendship was formed with the intent to obtain money fraudulently. Also, Mr M could not recall the name of the friend's company, so she was unable to verify if the business was in financial trouble. Overall, the Investigator concluded this to be a civil dispute, and that HSBC had not acted unfairly in declining reimbursement.

Mr M asked for an ombudsman's 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, there's not much more I can add to what our Investigator has already said. I know this will come as a disappointment to Mr M, but I cannot see a basis upon which I can fairly and reasonably instruct HSBC to refund his loss or to do anything more.

It isn't in dispute that Mr M himself instructed the £10,000 payment. So, HSBC is obligated to process and execute the payment Mr M asked it to make without undue delay, and the starting position under the Payment Services Regulations 2017 (PSRs) is that Mr M is responsible for the payment. But I could potentially ask HSBC to provide a refund if it could be concluded that the disputed payment was made as the result of a scam, and that HSBC could fairly and reasonably have prevented Mr M's loss, or if he were entitled to a refund under the Lending Standard's Boards Contingent Reimbursement Code (the CRM Code). This being a scheme through which scam victims can sometimes receive reimbursement from the banks involved.

So, I think it's important for me to start by determining whether this is primarily a civil matter between Mr M and his friend (e.g. a legitimate loan, gift or even a dispute over funds that went sour) or if the payment was induced by a scam, as Mr M alleges.

To reach the conclusion that this was a scam there must be evidence of fraudulent intent from the outset – so to put it simply I'd need to be satisfied that Mr M's friend at the time of asking for the loan had no intention of honouring the agreement. In this case, based on what I've seen the evidence does not support this. Mr M transferred the money to someone he knew and trusted as a friend, with the stated purpose of supporting their business. The partial repayments in April and May 2023 indicate that, at least initially, the arrangement was honoured. Whilst I agree with the Investigator it's hard to establish whether the person befriended Mr M on a genuine basis or under the pretence of taking his money. The fact that some repayments were made adds a little more weight to this likely being the former. While it's unfortunate that the payments stopped and the friendship ended (again it isn't clear if this was due to payments stopping, or if that was why the payments stopped), this could equally point to a breakdown in a personal loan agreement (perhaps due to business difficulties or other personal issues) rather than premeditated fraud. Mr M has not provided a copy of the written loan agreement, details such as his friend's company name, or any reports from the police which might have helped demonstrate fraudulent intent. Without such evidence, based on the above, I don't think HSBC have acted unfairly or unreasonably by taking the view that this was most likely a genuine loan arrangement that later broke down, making it a civil debt issue rather than authorised push payment (APP) fraud.

I appreciate Mr M feels that HSBC has failed to detect the risk, intervene and provide warnings before processing the payment, But as I have reached the conclusion, that on balance, in the circumstances of this complaint, this is most likely a civil matter between two parties, and I'm not persuaded that there was a 'scam' to protect against, HSBC's obligations to intervene aren't engaged. So, I can't say by not doing so, it has acted unreasonably or unfairly. And even if HSBC had intervened and provided a proportionate warning about the risks of lending money to a friend. There's no compelling evidence to support that Mr M would've changed his mind and not gone ahead with the payment. With the benefit of hindsight, it's understandable that Mr M now might say he wouldn't have proceeded. However, at the time this was a transfer to someone he considered a friend, for what he believed to be a genuine purpose, and for which he says he had a written agreement. I've also seen no evidence to suggest he would've discovered any adverse information at the time.

For completeness, I've also considered HSBC's actions when Mr M reported the matter, and I agree with our Investigator that I don't think HSBC has acted unfairly by not attempting to recover funds from the recipient bank, given it has deemed this to be a civil matter.

I also can't find that HSBC has acted unfairly by declining reimbursement under the CRM Code. I say this because for the CRM Code to apply, Mr M needs to have been the victim of APP fraud, and for the reasons set out above as I consider this to be a civil matter – not APP fraud (as defined by the scheme), HSBC are not required to provide reimbursement under the CRM Code.

Understandably Mr M will be disappointed with the outcome, but I hope the above provides him with assurance that the matter has been carefully considered, and explains why, in these circumstances, it wouldn't be fair and reasonable to ask HSBC to refund his outstanding loss or do anything further.

### **My final decision**

For the reasons outlined above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 12 January 2026.

Sonal Matharu  
**Ombudsman**