DRN-6114682

The complaint

Mr A complains that HSBC UK Bank Plc did not reimburse the funds he lost to a scam.

What happened

Mr A became aware of a company I will refer to as 'X' when he saw an advert online. He also met a representative from X at a seminar in 2019 and learnt about their investment opportunity in leasing cars. Mr A looked online, saw positive reviews and reviewed the professional marketing before deciding to invest. He transferred £14,000 from his HSBC account to X in December 2019.

Mr A signed a loan agreement with X in December 2019 agreeing to loan them £28,000. He was told his investment would be used to fund two vehicles which would then be leased out, and he would receive fixed interest payments each month. The monthly returns were set at £534.72, and Mr A received a total of £6,951.36 from these into a separate current account he held with a third party.

X went into administration and Mr A did not receive any more returns. He raised a scam claim with HSBC for the payments he had made to X and asked it to refund him in full. HSBC issued a final response letter in June 2025 saying that they wanted to wait for guidance from the UK Banking industry before reaching an outcome.

The complaint was referred to our service and our Investigator looked into it. They felt it was more likely this was a scam and not a civil dispute. In summary, they explained that the Serious Fraud Office ("SFO") had charged the directors of X, so they saw no reason why a review of the transactions under the CRM Code should be delayed. And as the report issued by the FCA found X's actual assets differed significantly to what investors had been told, they felt the transactions met the CRM code's definition of a scam.

Having reviewed the transactions under the Code, the Investigator felt Mr A had a reasonable basis to believe he was involved in a genuine investment. So, they recommended a full refund of Mr A's losses, less any returns he received. As well as 8% simple interest on the transactions from 15 days after the date the directors of X were charged by the SFO to the date of settlement.

HSBC disagreed with the outcome and did not think the charging of the directors of X by the SFO meant Mr A had been the victim of a scam under the CRM Code.

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 A authorised the payment. Because of this the starting position – in line with the Payment Services Regulations 2017 – is that he is liable for the transactions. But he says that he has been the victim of an authorised push payment (APP) scam.

HSBC has signed up to the voluntary CRM Code, which provides additional protection to scam victims. Under the CRM Code, the starting principle is that a firm should reimburse a

customer who is the victim of an APP scam (except in limited circumstances). But the CRM Code only applies if the definition of an APP scam, as set out in it, is met.

Has Mr A been the victim of a scam, as per the CRM Code?

I have set out the definition of an APP scam as set out in the CRM Code below:

...a transfer of funds executed across Faster Payments…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've therefore considered whether the payments Mr A made to X fall under the scope of an APP scam as set out above. Having done so, I think that they do and I'll explain why. In order to determine if Mr A has been the victim of a scam, I have to consider if his intended purpose for the payments was legitimate, whether his intended purposes and X's broadly aligned and, if not, whether this was the result of dishonest deception on the part of X.

Based on the evidence available to me, it appears Mr A expected the funds to be used to purchase vehicles which would then be leased by a subsidiary of X. He would then receive regular returns on this investment. As X's subsidiary was an FCA regulated company, and he saw the opportunity advertised in his local area, I see no reason why he would not have thought it was a legitimate investment.

I've gone on to consider whether X's intended purpose for the payments aligned with what Mr A intended as set out above. There are two reports that have helped to form my understanding of X's intended purpose for the payments, one by the FCA and another by the administrators of X and their subsidiaries.

The FCA's report states that the number of customers X claimed had entered into leases was 1,200, however they only had 69 registered vehicles on Companies House across its three subsidiaries. When the FCA did a deep dive into the registered vehicles, they found significant discrepancies between the X's business model and the vehicle inventory. These included a high number of what appeared to be second-hand vehicles. While X's business model did allow for some used cars to be leased, it relied on a large extent to securing deep discounts on new vehicles which would not be available on second hand cars. A number of leases were also said to have been entered into at a date which was significantly before the vehicle was put onto the road.

The FCA also found X's valuation of its motor vehicles as unrealistic, and felt the discrepancy was around £18 million. The report from the administrators of the subsidiaries also stated that there was less than one car for every six loan agreements that were known about at the time of liquidation. With the above in mind, I am satisfied that X was not carrying out investments as per the agreements with investors such as Mr A. I've seen no evidence to suggest Mr A had security over a specific vehicle. And I note the section of the agreement he signed with X that set out the details of the car were left blank.

The SFO has confirmed that the directors of X were accused of falsifying information to encourage people to pay in whilst knowing that the investments were not actually backed up

by the cars they had promised. Having considered all of the information available from the FCA, the SFO and the administrators, I am satisfied that investors were dishonestly deceived into making their payments. And it follows that Mr A's payment meets the CRM Code's definition of an APP scam as set out above.

Do exceptions to reimbursement under the code apply in this case?

As explained previously, the starting point in law is that Mr A is responsible for any payments he has authorised himself. But the CRM Code requires a firm to reimburse victims of APP scams that fall under its provisions, unless a firm can demonstrate that one of the exceptions to reimbursement apply. One such exception is if Mr A made the payments without a reasonable basis to believe they were for a genuine investment or that X was not legitimate.

I have taken into consideration that Mr A saw the opportunity advertised online and from what I have seen of the paperwork provided by X, it appeared professional. He has said that he looked online at reviews and found positive ones from customers. Also, his understanding of the investment itself and how it would work did not sound unreasonable and there was nothing to suggest at the time that X itself was not legitimate. I note one of its connected companies was authorised and regulated by the FCA. And Mr A also says he met the individuals involved in X in person at a seminar in 2019, and he felt their presentation was good. He also met other investors who had even re-invested, so he felt it was a legitimate opportunity.

With this in mind I don't think there was anything about the investment at that time that should have given Mr A cause for concern. So, I don't think it has been established that he made the payments without a reasonable basis to believe the investment and/or X was legitimate.

Any other considerations?

I don't think HSBC could've taken any other action in order to prevent Mr A's loss, either at the time the payments were made or when the scam was reported to them. I say this as I don't think they'd have been able to identify that this was a scam at the point of the payment, given the sophistication of the scam.

Further to this, HSBC wouldn't have been able to have recovered Mr A's losses from the beneficiary bank at the time the scam was reported to them, given that the company had entered liquidation and no funds could've been returned by the beneficiary.

The Financial Services Compensation Scheme (FSCS) is accepting customer claims submitted to it against Raedex Consortium Ltd. More information about FSCS's position on claims submitted to FSCS against Raedex can be found here: https://www.fscs.org.uk/making-a-claim/failed-firms/raedex/

The FSCS is also aware that we have issued recent decisions upholding complaints against banks related to the Raedex investment 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 Raedex Consortium Ltd has conducted activities that have contributed to the same loss Mr A is now complaining to us about in connection with the activities of HSBC.

As I have determined that this complaint should be upheld, Mr A should know that as he will be recovering compensation from HSBC, he cannot claim again for the same loss by making a claim at 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 FSCS, but that will be a matter for the FSCS to consider and under their rules.) Further, if Mr A has already made a claim at FSCS in connection with X, and in the event the FSCS pays compensation, Mr A is required to repay any further compensation he receives from his complaint against HSBC, up to the amount received in compensation from FSCS.

FOS and FSCS operate independently, however in these circumstances, it is important that FSCS and FOS are working together and sharing information to ensure that fair compensation is awarded. More information about how FOS shares information with other public bodies can be found in our privacy notice here: {https://www.financial-ombudsman.org.uk/privacy-policy/consumer-privacy-notice}"

Redress.

As Mr A received a number of monthly interest payments back from X, I think it would be fair for these payments to be deducted from the amount HSBC reimburses him. I have calculated the total overall loss to be £7,048.64.

I also think HSBC should apply 8% simple interest from 15 days after they declined Mr A's claim to the date of settlement.

In order to avoid the risk of double recovery the HSBC is entitled to take, if it wishes, 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 plc to:

- Refund Mr A the payments he made as a result of this scam, less the payments he received back from X.
- Pay Mr A 8% simple interest on that refund, from 15 days after they declined his claim until the date of settlement, less any lawful tax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 5 March 2026.
Rebecca Norris
Ombudsman