

## **The complaint**

Mrs R complains that HSBC UK Bank Plc did not reimburse the money she lost to a scam.

## **What happened**

Mrs R learned about an investment opportunity from someone she met via a supercar group she was part of. This individual, Mr L, introduced Mrs R to his family, and they spent time together on holidays. Mr L told Mrs R about an opportunity to invest in his business – G – via a 90-day loan which G would use to fund the installation of equipment for a well-known hotel chain. Mrs R was told she could receive 12% interest on her investment over the 90 days, and she knew other people who had invested and received the promised returns.

Mrs R did some research of her own – checking Companies House and reviewing the paperwork she had been provided, as well as discussing the opportunity with a financial adviser – and she decided to go ahead with the investment. On 10 July 2024 she tried to make a payment to the account Mr L had told her to pay, but this payment was rejected by the receiving bank (apparently because it could not accept CHAPS payments). On 11 July 2024 Mrs R successfully made a payment of £499,968 from her HSBC account to the new account details Mr L had given her. She discussed this payment with HSBC at the time, given how large it was, and HSBC was happy to allow the payment to go ahead.

Mrs R was expecting to receive the promised returns on her investment by 11 September 2024. Mr L then told her she would instead receive her returns on 11 October 2024, but G went into administration in September 2024, so this did not happen – Mrs R received no returns and lost her initial investment capital. In November 2024 the directors of G (including Mr L) were arrested and are currently the subject of a police investigation into fraud by misrepresentation.

Mrs R contacted HSBC to report that she had been scammed. HSBC looked into things but did not issue any findings on whether it was liable for Mrs R's loss.

Mrs R referred her complaint to our service and our Investigator looked into it. Having reviewed the complaint, they were satisfied that Mrs R had been the victim of an APP scam. They therefore assessed the complaint under the Lending Standards Board's Contingent Reimbursement Model ("CRM") Code, which was in force at the time of the payment Mrs R made.

They felt that Mrs R had a reasonable basis for believing the investment was genuine, they therefore recommended a full refund of the scam payment, as well as 8% simple interest from the date the claim was declined to the date of settlement.

Mrs R accepted the findings, however HSBC did not, it has said that we cannot reasonably reach a conclusion on this case until the police investigation is concluded. It has also said that it does not believe we have considered the specific details of what happened with Mrs R's funds. HSBC believes this service should dismiss Mrs R's complaint.

As an informal agreement could not be reached, the complaint was passed to me for review. I issued my provisional decision on this complaint on 8 January 2026, explaining why I agreed with our investigator's findings. Mrs R accepted my findings, HSBC did not, it maintains that it is not reasonable to hold it liable for any of Mrs R's loss.

### **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.

In my provisional decision I explained the following:

#### ***“Is it appropriate to determine this complaint now?”***

*I have considered whether it would be appropriate to delay my decision in the interests of fairness, as I understand that the police investigation into G and its directors is still ongoing.*

*There may be circumstances and cases where it's appropriate to wait for the outcome of external investigations and/or related court cases. But that isn't necessarily so in every case, as it may be possible to reach conclusions on the main issues on the basis of evidence already available. And it may be that the investigations or proceedings aren't looking at quite the same issues or doing so in the most helpful way. I'm conscious, for example, that any criminal proceedings that may ultimately take place might concern charges that don't have much bearing on the issues in this complaint; and, even if the prosecution were relevant, any outcome other than a conviction might be little help in resolving this complaint because the Crown would have to satisfy a higher standard of proof (beyond reasonable doubt) than I'm required to apply (which is the balance of probabilities).*

*In order to determine Mrs R's complaint, I have to ask myself whether, on the balance of probabilities, the available evidence indicates that it's more likely than not that Mrs R was the victim of a scam rather than a failed investment. But I wouldn't proceed to that determination if I consider fairness to the parties demands that I delay doing so.*

*I'm aware that Mrs R first raised her claim with HSBC in November 2024 and I need to bear in mind that this service exists for the purpose of resolving complaints quickly and with minimum formality. With that in mind, I don't think delaying giving Mrs R an answer for an unspecified length of time would be appropriate unless truly justified. And, as a general rule, I'd not be inclined to think it fair to the parties to a complaint to put off my decision – or to dismiss a complaint – unless, bearing in mind the evidence already available to me, a postponement is likely to help significantly when it comes to deciding the issues.*

*I'm aware the above processes might result in some recoveries for investors; in order to avoid the risk of double recovery, I think HSBC would be entitled to take, if it wishes, an assignment of the rights to all future distributions to Mrs R under those processes in respect of this claim before paying anything I might award to her on this complaint.*

*For the reasons I discuss further below, I don't think it's necessary to wait for the outcome of the police investigation, or any court action that might follow that, for me fairly to reach a decision on whether HSBC should reimburse Mrs R under the provisions of the CRM Code.*

#### ***Has Mrs R been the victim of an APP scam, as defined in the CRM Code?***

*It isn't in dispute that Mrs R authorised the payment that is the subject of this complaint. Because of this, the starting position – in line with the Payment Services Regulations 2017 –*

*is that she's liable for the transaction. But she says that she has been the victim of an authorised push payment (APP) scam.*

*HSBC was a signatory of the voluntary CRM Code, which provided additional protection to scam victims at the time this payment was made. 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. I have set this definition out below:*

*...a transfer of funds...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.*

*The CRM Code is also explicit that it doesn't apply to private civil disputes. The wording in the code is as follows:*

*This Code does not apply to:*

*b) private civil disputes, such as where a Customer has paid a legitimate supplier for goods, services, or digital content but has not received them, they are defective in some way, or the Customer is otherwise dissatisfied with the supplier.*

*I've therefore considered whether the payment Mrs R made to G falls under the scope of an APP scam as set out above. Having done so, I think that it does.*

*I say this because our service is now aware of a number of issues related to G and its directors which suggest to us it is more likely that this was a scam. Specifically:*

- *G told investors it had an exclusive contract with a well-known hotel chain to supply equipment. While a contract did exist, it was for a significantly smaller amount than the funds G went on to raise from investors to fulfil that contract. The contract was worth £4.4m (as confirmed by the administrators), but when G went into administration it owed investors £25.3m.*
- *The administrators have confirmed that while they cannot confirm how much of investor funds was used for the contract or for day-to-day business expenses it is clear that it was significantly less than the investor funds received.*
- *G told investors that it expected to receive revenue from the hotel chain of around £18m, by supplying equipment for over 6,000 refurbished rooms. The administrators have confirmed that no such sums were received by G over this period.*
- *G sold the investment on the basis that it had a large amount of future work lined up with the hotel chain, but this appears to have been untrue.*
- *G claimed to have a credit insurance policy as part of its agreements with investors, and provided details of a policy including its start and end dates and a policy number. The insurer has confirmed that no such policy exists.*
- *One of G's directors loaned himself over £500,000 which has not been paid back and company funds were also spent on:*
  - *Sponsorship of a racing team;*
  - *Home improvements;*

- *Transfers to overseas accounts from where G has said the funds were lost to fraud.*

*Regarding Mrs R's funds specifically, I have reviewed the statements for the account where she sent her funds, along with other accounts held by G, and while I can't share details of this information, it appears to show there was a large amount of spending from the accounts that wasn't related to the company's contract with the hotel chain or other business purpose and appears to have been used for sponsorship or personal reasons – in line with what the administrators have said.*

*So, I think the available evidence shows that G wasn't acting in line with the business model and features of the investment it had led Mrs R to believe she was making. And so, the purpose G intended for the payment Mrs R made wasn't aligned with the purpose Mrs R intended for the payment.*

*And as the directors will have known they intended to use the majority of investors' funds for a different purpose and were misleading investors about the amount of future work it would receive from the hotel chain and the insurance policy, I also think the discrepancy in the alignment of the payment purposes between Mrs R and G was the result of dishonest deception on the part of the company.*

*I appreciate that some of investors' money will have been used to carry out work for the hotel chain, and that we don't know what specific payments G received were made towards that work. But, overall, I'm satisfied that this wasn't a legitimate investment and Mrs R's and other investors' funds weren't being used in the manner they were led to believe they were. So, regardless of where Mrs R's specific payment went, G and its business model was illegitimate and Mrs R was deceived on this point.*

*I've considered that there may be evidence our service does not have access to or that may become available at a later date. But, for the reasons I've explained above, I'm satisfied there is sufficient evidence available here for me to come to a fair and reasonable decision on this complaint and I don't consider it likely that the outcome of any ongoing investigation would significantly affect the conclusions I have reached.*

*And so, I'm still satisfied it is safe to conclude that the circumstances here meet the definition of a scam from the CRM code.*

### ***Is Mrs R entitled to reimbursement under the CRM Code?***

*I've considered whether HSBC should refund Mrs R under the provisions of the CRM Code.*

*Under the CRM Code the starting position is that a firm should reimburse customers who have been the victim of an APP scam, except in limited circumstances. These circumstances include where the firm can establish that the customer made the scam payments without a reasonable basis for believing that they were for genuine goods or services; and/or that the payee was legitimate.*

*So, I've thought about whether Mrs R had a reasonable basis to believe G was legitimate and was providing a genuine investment product. In doing so, I have considered that the investment was recommended to Mrs R by someone she knew well, and that she had seen several other individuals invest successfully in the scheme. Mrs R also received professional appearing paperwork and documentation, and sought advice from a financial adviser, before deciding to go ahead.*

*In addition, Mrs R had checked Companies House and could see that G was a registered company and had been for some time. And while I do accept that the returns Mrs R was told she'd receive were relatively high, Mrs R had seen people she knew achieve good returns, and I think this would have outweighed any potential concerns about the returns that were being offered.*

*Overall, and on balance, I think there was enough to reasonably convince Mrs R at the time that this was a genuine investment company. With this in mind, I don't think Mrs R made the payments without a reasonable basis of belief that G and the investment itself was genuine.*

*And given that Mrs R explained the investment to HSBC in branch when she made the payment, and HSBC also did not have any concerns about what she was doing, I can't see that it would be fair to say that Mrs R did not have a reasonable basis for belief that this was a legitimate investment opportunity.*

*With all this in mind I don't think that HSBC can fairly apply any of the relevant exceptions to reimbursement set out in the Code. As a result, I currently consider that HSBC should reimburse Mrs R her loss in full."*

Mrs R accepted my provisional findings, HSBC has not.

Firstly, HSBC has reiterated its view that this complaint should be dismissed until the outcome of the police investigation and the conclusion of any legal process regarding G. I have already explained why I am satisfied that it is fair and reasonable to determine this complaint now, and nothing HSBC has said has changed my view on that point.

HSBC has then gone on to detail why it does not feel it is fair to ask it to refund Mrs R under the Code. Specifically, it has suggested that it should not fairly be held liable for Mrs R's loss because it could not have prevented this scam, and because if G had been legitimate then it would have been a risky investment that could have resulted in a financial loss for Mrs R in any case. HSBC has also said that our service's role is only to take account of the Code, not to apply it.

But the fact is that HSBC was a signatory to the Code, it voluntarily chose to abide by the Code, so I cannot see how it would be reasonable to say that HSBC should not be bound by the terms of the Code. And the Code is clear about what it expected of signatory firms. As well as setting out general expectations of firms, it includes a section specifically regarding the reimbursement of customers following scams. And the overarching objective of the Code was to increase the proportion of customers protected from the impact of APP scams, *including through reimbursement*. The default position under the Code was that the victim should be reimbursed, a firm could though choose not to reimburse the customer if they could establish that one or more of a limited number of exceptions could be fairly applied.

As I explained in my provisional decision, HSBC has not demonstrated that any of the relevant exceptions apply, so under the terms of the Code, Mrs R's loss should be reimbursed. The fact that the scam was so sophisticated that HSBC would not have been able to prevent Mrs R from falling victim to it is not relevant when it comes to reimbursement, but I have taken account of this when considering the interest that should apply to the refund, which is why I have said that interest should only apply from the date the claim was declined, not from the date of the payments.

I appreciate that the refund due to Mrs R is large, but regardless of the amounts we are discussing, HSBC has not established that a valid exception to reimbursement applied under the Code, and it agreed to abide by the terms of the Code. It follows that HSBC should reimburse Mrs R as set out below.

## **Putting things right**

Where I uphold a complaint, I can award fair compensation to be paid by a financial business of up to £430,000, plus any interest and/or costs/interest on costs that I consider appropriate. If I think that fair compensation is more than £430,000 I may recommend that the business pays the balance.

**Decision and award:** I uphold this complaint. I think that fair compensation is £499,968. My decision is HSBC should pay Mrs R £430,000 plus 8% simple interest per annum from the date her claim was declined to the date of settlement.

**Recommendation:** As I think fair compensation is more than £430,000, I recommend that HSBC pays Mrs R the balance.

This recommendation is not part of my determination or award. HSBC doesn't have to do what I recommend. It's unlikely that Mrs R can accept my decision and go to court to ask for the balance. Mrs R may want to get independent legal advice before deciding whether to accept this decision.

As there is an ongoing criminal investigation it's possible Mrs R may recover some further funds in the future, through that process. In order to avoid the risk of double recovery, HSBC is entitled to take, if it wishes, an assignment of the rights to all future distributions under that process before paying the award.

If HSBC elects to take an assignment of rights before paying compensation, it must first provide a draft of the assignment to Mrs R for her consideration and agreement.

## **My final decision**

I uphold this complaint. HSBC UK Bank Plc should now put things right in the way I've set out above.

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

Sophie Mitchell  
**Ombudsman**