

## **The complaint**

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

## **What happened**

Mrs F heard about a property investment opportunity with "C" from a friend. In brief, C claimed to be offering a "government backed" investment based on them renovating and renting out properties as social housing through councils and housing authorities they held contracts with.

After looking into C, Mrs F decided to invest. She sent a total of £51,500 via two payments in October 2024 and was expecting monthly returns. However, she then heard from her friend that C were a scam. When she couldn't get hold of C, she reported the matter to HSBC (via a professional representative). It said it couldn't look into the matter due to an ongoing police investigation into C. Unhappy it wouldn't refund her, Mrs F referred the matter on to our service.

Our investigator upheld Mrs F's complaint. In summary they thought there was sufficient evidence at the time of Mrs F's claim to conclude she had been scammed. The investigator thought HSBC was liable to refund her loss under the Faster Payments Scheme (FPS) Reimbursement Rules.

HSBC has appealed the investigator's outcome. It says it's premature and unreasonable for us to determine this is a scam prior to the conclusion of the law enforcement investigation.

## **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, I've decided to uphold it. I'm persuaded Mrs F was scammed, and that HSBC ought reasonably to have reached this conclusion when she reported this matter directly – without waiting on the outcome of the police investigation into C. I therefore agree with the investigator that HSBC should reimburse Mrs F's loss (less £100). I'll explain why.

At the time of Mrs F's payments, The FPS Reimbursement Rules were in effect. These require Payment Service Providers (PSPs) such as HSBC to reimburse APP scam victims in most circumstances. Where the rules apply, PSPs are expected to give a reimbursement decision within five "business days" – the definition of which excludes weekends and UK bank holidays - of a scam claim being made. In some instances, this can be extended to a maximum of 35 business days.

HSBC says it's premature to consider this claim while the police investigation into C is ongoing. The specific details of this investigation 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.

In any event, there is no specific provision under the FPS Reimbursement Rules to extend the timeframe for a reimbursement decision beyond 35 business days. Furthermore, for the reasons I'll go on to explain, I'm persuaded HSBC should reasonably have concluded Mrs F had been scammed, and should have refunded her, within this timeframe.

The FPS Reimbursement Rules define an APP scam as:

*“Where a person uses a fraudulent or dishonest act or course of conduct to manipulate, deceive or persuade a consumer into transferring funds from the consumer's relevant account to a relevant account not controlled by the consumer, where:*

- *The recipient is not who the consumer intended to pay, or*
- *The payment is not for the purpose the consumer intended*

*For the avoidance of doubt, if the consumer is party to the fraud or dishonesty, this is not an APP scam for the purpose of the FPS reimbursement requirement or the FPS reimbursement rules.”*

I consider it clear Mrs F intended to pay C for a property development investment. So, to determine if the disputed payments meet the definition of a scam, I've gone on to consider whether C's intended purpose was broadly aligned with Mrs F's 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 Mrs F into making these payments. C held accounts which show around £6,000,000 being spent in a way that appears consistent with property development. But they also received around £20,200,000 from investors. C's standard unit price was £13,500. So, that means they 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 Mrs F's payments for genuine property development investments.

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.

There is no suggestion Mrs F was party to C's deception. Overall, I'm persuaded HSBC should have concluded she had been scammed, and gone on to consider her claim, within the maximum timeframe set by the rules. I've therefore considered whether HSBC should have agreed to reimburse these payments under the remaining provisions of the rules.

The rules set out the requirements for when covered payments should be reimbursed. In summary, HSBC would be expected to refund Mrs F if she was vulnerable at the time of making (at least one of) the scam payments forming her claim, *and* this materially impacted her ability to protect herself from the scam.

I'm aware Mrs F has a visual impairment and requires help with action such as setting up payees. But I don't think this affected her falling victim to the scam, given its nature and how she found out about C. So, I don't think HSBC is liable to refund Mrs F due to her vulnerability.

However, under the rules, I'd still expect HSBC to refund Mrs F unless it showed an exception applied under the "Consumer Standard of Caution". That would involve showing that, as a result of gross negligence, Mrs F failed to meet one of the following standards:

- The consumer should have regard to any intervention made by their PSP and/or by a competent national authority.
- The consumer should, upon learning or suspecting that they have fallen victim to an APP scam, report the scam claim promptly to their PSP.
- The consumer should respond to any reasonable and proportionate requests for information made by their PSP for a limited number of purposes (principally to validate the scam claim and whether it is reimbursable).
- The consumer should, after making a scam claim, consent to the PSP reporting to the police on the consumer's behalf or request they directly report the details of a scam to a competent national authority.

HSBC hasn't sought to rely on one of these exceptions. Nor do I think any could fairly be applied here.

I'm mindful HSBC did ask Mrs F about the purpose of the first payment and she selected she was making a large purchase. I can see why she selected that option, given she was sending a large amount in response to the invoice she received from C. HSBC then displayed a scam warning. But I don't think this alerted Mrs F to anything which gave her cause to suspect or realise C were operating a scam.

Overall, HSBC hasn't demonstrated Mrs F has, as a result of gross negligence, failed to comply with the Consumer Standard of Caution. I'm therefore persuaded HSBC should reimburse her in line with the FPS Reimbursement Rules.

Please note that HSBC is entitled to apply a deduction (known as "the excess") of up to £100 per claim, unless the victim was a vulnerable consumer at the time of making at least one of the payments they are claiming for and their vulnerability affected their ability to protect themselves from the scam. I've already explained why I don't think that was the case here, meaning HSBC can deduct £100 from the refund of Mrs F's payments.

As I'm not awarding a full refund (due to the excess), I've considered if there are any reasons why HSBC should hold further liability – such as if it should have prevented the full loss. But given the complexity of the scam, even if HSBC had intervened further, I struggle to see what it could have reasonably warned Mrs F about that would have made the scam clear; this just wasn't apparent at the time of the payments. And as the scam wasn't reported for several months, HSBC couldn't successfully recall the funds either. So I don't think it holds further liability beyond the FPS Reimbursement Rules.

### **Putting things right**

To put things right, HSBC UK Bank Plc should refund Mrs F for the payments she sent C less the excess of £100.

HSBC UK Bank Plc should pay 8% simple interest per year on top of this amount, running from 35 business days (as defined by the FPS Reimbursement Rules) from when Mrs F reported the scam to the date of settlement. This is to compensate her for the loss of use of these funds.

If HSBC UK Bank Plc considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mrs F 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, 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 Mrs F to accept or reject my decision before 20 March 2026.

Rachel Loughlin  
**Ombudsman**