

The complaint

Mr R complains that HSBC UK Bank Plc initially blocked an online payment he was attempting to make to his solicitors. And that it gave him contradictory information and failed to address all his complaint points.

What happened

In October 2022 Mr R attempted to make a payment online to his solicitors. The payment was flagged as high risk. On screen, Mr R was asked what the payment was for and he selected the option “buying goods and services”. A warning came up on screen cautioning him that it could be a scam. He chose to proceed with the transaction and the payment was duly made.

Mr R complained to HSBC that the warning was unduly alarming and that he was given contradictory information that the transaction was highly likely to be a fraud but at the same time was not a high risk. He further complained that HSBC refused to explain why, if the payment passed the name check, it could still be fraudulent. Finally he said that HSBC recommended that he pay by credit or debit card. And that it did not explain why.

On referral to the Financial Ombudsman Service our Investigator said that HSBC had acted in compliance with the CRM (Contingent Reimbursement Model) Code 2019 which requires alerts to be given in appropriate cases. He noted that Mr R had been able to make the payment. He thought that HSBC had handled the matter appropriately.

Mr R did not agree, pointing out that he had spent hours on the phone over a considerable period of time and HSBC had not answered his concerns.

The matter has been passed to me for further consideration.

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.

Here, Mr R wanted to pay his solicitors' bill by an online transfer. If that happens especially if it was a payment to a new payee, then because of the CRM code, certain procedures are put in place. These can require the customer (as happened here) to answer questions about the nature of the payment. Mr R selected the option “buying goods and services”. As a result a fraud warning screen concerning buying goods and services came up. This was because the payment was deemed to be high risk, although being automatic it's unlikely that it would be flagged up as a payment to solicitors. We don't know exactly why it was deemed to be high risk but because of the risk of fraud the bank is not obliged to tell the customer.

The fraud warning screen which I have seen does not say that it was highly likely or that there was a high probability of fraud. It had the heading “Caution this could be a scam.” and went on to advise the customer to consider what they should do before making the payment, setting out various examples of what could be a fraud. When discussing the matter later with

HSBC's customer advisers, I don't think it was ever said to Mr R that there was a high probability of fraud in this case. Though I accept that he put that to the advisers.

Mr R did raise with the customer advisers several times as to why if the transaction passed the name check it was still possible for it to be a fraud. The advisers did say that the name check was just part of the transaction. But without going into details about HSBC's fraud procedures I think it was unlikely that they would have been able to give any more detailed answer. And, as I've said, banks don't have to explain their fraud procedures or what might alert them to fraud to customers. Because of the likely nature of that information we say it is fair that those sort of matters are kept confidential.

Mr R says that he was encouraged by HSBC to pay his solicitors by credit card. He feels this negates the need to have a bank account at all and points out that HSBC failed to address this complaint although he raised it on several occasions with it.

This point came up in the telephone call on 25 October 2022. The adviser said to Mr R: "is there a facility with the solicitors to make a payment by debit or credit card for more protection for yourself?" And in the online fraud warning I have referred to it sets out:

"don't make the payment if you are asked to pay by bank transfer rather than using a more secure way e.g. a credit or debit card which gives you more protection against fraud."

I don't find that HSBC recommended that Mr R make the payment by credit card, rather that it enquired whether his solicitors had that facility and advised him that making a payment by credit or debit card gave more protection against fraud. I appreciate that Mr R expected HSBC to answer his complaint about that. However, bearing in mind my finding about the matter, I don't intend to ask HSBC to take any further action in that respect.

I can see why someone in Mr R's position may have been annoyed about having to take further steps to make his payment. But in a situation where there are a great deal of online transactions taking place every day the banks have to ensure that customers, especially those with less knowledge about the transactions they are making, are sufficiently warned. And, in light of the CRM code banks are required to protect their customers against fraud even though they may be likely to be carrying out genuine transactions.

I appreciate that Mr R has spent a lot of time in telephone calls to HSBC about this matter. but I can only award compensation where I think the bank did not act fairly and reasonably. I think in this case HSBC did act fairly and reasonably.

My final decision

I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 18 October 2023.

Ray Lawley
Ombudsman