

The complaint

Ms H complained because HSBC UK Bank Plc refused to refund her for a transaction which she said she hadn't authorised.

What happened

On 23 November 2022, an annual standing order was set up on Ms H's HSBC account. HSBC sent a letter to Ms H's registered address saying that a new standing order had been set up, and giving the recipient's name. It said that Ms H could view the details on her online banking.

On 25 November 2022, the first £800 payment was debited from Ms H's account.

A year later, 25 November 2023 fell at a weekend, so the annual £800 standing order was debited from Ms H's account on Monday 27 November.

The same day, Ms H contacted HSBC and said she hadn't authorised the £800 debit. She asked for an immediate refund. HSBC refused to refund her. It said she'd set up the standing order the previous year and there was no record that she'd cancelled it since the first payment a year earlier. Ms H said that around that time her phone had been stolen and she'd asked for the HSBC app to be blocked.

HSBC wrote to Ms H on 29 November. It said that to authorise transactions using online banking needed Ms H's Secure Key, and her PIN, plus the answer to a personalised security question. It also said that payments to new beneficiaries also required the generation of an individual code on her Secure Key, to authorise the payment.

HSBC said that Ms H was aware that she was required to keep personalised security credentials secure, and not share them with anyone. She'd told HSBC that she hadn't shared any of her details. HSBC said there were multiple levels of security in its systems, and it was unlikely that anyone else would have known Ms H's security details, PIN, and had access to her Secure Key as well. So it said it wouldn't provide a refund.

Ms H wasn't satisfied and complained.

In HSBC's final response to Ms H's complaint, it said that it had sent Ms H confirmation of the standing order she'd set up in November 2022. So Ms H had had a year to cancel the annual standing order, but she hadn't done so. HSBC said its fraud team had investigated, and HSBC wasn't able to offer a refund. It suggested that Ms H should contact the beneficiary about the payment, or she could raise a civil dispute if she chose.

Ms H was still unhappy and contacted this service.

She said that HSBC had told her she'd set up the standing order a year earlier. She said she hadn't done so, and even if she had, why didn't HSBC reverse the 2023 transaction when she'd contacted it only 30 minutes after the transaction. She said she'd always paid that beneficiary by online banking, not by standing order. She said that the beneficiary had a

dispute with her housing association, and she'd stopped paying the beneficiary at least 3 months earlier. Ms H also said that HSBC's staff were rude. She also felt that it was suspicious that this happened at a time when the housing association had a dispute with the beneficiary.

Our investigator didn't uphold Ms H's complaint. She said that the standing order had been created by Ms H in 2022, and it had needed a passcode to set this up. She couldn't identify how anyone else could have obtained this. And standing orders are controlled by the customer, who can change standing orders at any time before payment. As Ms H didn't cancel the annual standing order after the 2022 payment, HSBC wasn't at fault for making the 2023 payment. So the investigator said HSBC didn't need to refund Ms H.

Ms H didn't agree, and she sent many emails to the investigator. In summary, she said:

- She wanted to see the document which HSBC said she'd signed to set up the standing order;
- She asked why HSBC hadn't stopped the transaction when she'd said she wanted it stopped;
- She hadn't authorised the £800 payment in November 2023, and it wasn't right that the same recipient could have money again a year after another payment;
- In October 2022 she'd changed her phone as her previous phone had been stolen.

Ms H asked for an ombudsman's 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.

As I've set out above, Ms H has raised multiple points in her submissions to this service. I've understood all of those and considered all she's said and sent us, but in reaching my decision here I've focused on what I think is vital to my conclusions.

I understand that Ms H is unhappy about the £800 payment being made in November 2023. She's referred to a dispute between the beneficiary and her housing association. I'm sorry to hear there's a difficult situation. But I need to explain that this complaint is only about whether HSBC did anything wrong when it processed the November 2023 payment. It's not for me to decide whether or not the beneficiary was owed the money, as this service only deals with complaints about financial organisations like HSBC.

Regulations about disputed transactions

There are regulations which govern disputed transactions. The relevant regulations here are the Payment Services Regulations 2017. In general terms, the bank is liable if the customer didn't authorise the payments, and the customer is liable if they did authorise them. So what determines the outcome here is whether or not Ms H authorised the £800 November 2023 payment.

Who authorised the disputed £800 November 2023 payment?

The disputed £800 November 2023 payment was authorised through an annual standing order, which had been set up on Ms H's account on 23 November 2022. Ms H has asked for a copy of her signature setting this up, but the annual standing order was, like many payments, set up online. So Ms H didn't have to sign anything to set it up. The payments were authorised using Ms H's security details instead.

I've looked closely at the computer evidence about the standing order. This shows that Ms H logged on, and at 16:08 on 23 November 2022, she set up a Yearly Standing Order to the beneficiary. She gave her name as the reference, and the amount was £800. Under the number of payments to be made, she entered 2. As I've set out above, the person setting up this standing order must have known the necessary security details to access the account, and a new standing order also needed a passcode.

Ms H said that her phone was stolen in October 2022. This matches with HSBC's computer records which show that her new phone was added on 25 October 2022. But the standing order was set up in November 2022, using the new phone. I can also see that Ms H has used that phone from October 2022 and was still using it in January 2024, and she hadn't reported that phone as stolen too. So the phone used to set up the standing order wasn't a stolen one, but the one in Ms H's possession at the time the standing order was set up.

Ms H didn't dispute the first £800 standing order payment in November 2022. This payment made a significant difference to the balance in her account, leaving a balance of £6.41. So if that payment hadn't been genuine, it's likely that Ms H would have said so at the time. This indicates that she set up the standing order. HSBC also sent a letter confirming the standing order, to the address Ms H gave us for herself.

All these factors mean I find that it's more likely than not that Ms H authorised the standing order herself. This means that HSBC doesn't have to refund her.

Ms H contacted HSBC shortly after the payment had been made, and said the payment should be refunded because she hadn't authorised it – in other words, that it was fraudulent. She didn't say, for example, that she'd made a mistake in not cancelling the yearly standing order. She said she hadn't authorised it and it was fraudulent. So it was fair that what HSBC considered was whether there was fraud, and whether a third party had accessed her details and authorised the standing order. I consider that all the evidence indicates that Ms H had authorised the standing order. It was set up using her phone and her security details; confirmation was sent to her home address; and she hadn't disputed the 2022 payment. And if any fraudster had somehow obtained access to her security details, it's most unlikely that any fraudster would have set up a standing order for a year ahead. They'd take as much money as they could, long before that.

I also find that HSBC's staff weren't rude to Ms H on any of the recorded phone calls I've listened to. And for the standing order payment to have been stopped, Ms H would have had to contact HSBC, or change it herself online, before it was paid out.

So I find that HSBC acted fairly and reasonably when it decided that it was more likely than not that Ms H authorised the disputed standing order. This means it doesn't have to refund her.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms H to accept or reject my decision before 18 June 2024.

Belinda Knight
Ombudsman