

The complaint

Mr A complains that HSBC UK Bank Plc ('HSBC') should pay more compensation than offered so far in connection with its admitted poor service regarding setting up a direct debit payment.

What happened

In brief summary, HSBC admitted there had been a branch error when it had used the wrong reference initially when setting up a direct debit from Mr A's bank account to pay his credit card. This mistake had resulted in the debit payment not being made that month. When Mr A phoned HSBC to find out what had happened and to get things put right, HSBC first told him that it couldn't assist and to wait for his next statement. HSBC agreed this had been unhelpful and wasn't the right advice. To put things right, HSBC set up a new direct debit instruction and paid Mr A £100 by way of an apology for the poor service it had provided.

Unfortunately, during the course of his phone calls with HSBC, when Mr A found himself speaking to different agents on at least five separate occasions, some confusion arose. This resulted in Mr A making a manual payment to his credit card to ensure he didn't miss making his monthly card repayment by the due date. But the following month, as the direct debit for the first month had been reversed (due to HSBC using the wrong reference), the credit card repayments due for two consecutive months were requested by the card provider.

Ultimately, the situation was resolved. But Mr A was unhappy about the errors HSBC was responsible for and he wanted to pursue a complaint about what happened. He was especially worried that after receiving a credit card statement showing an overdue minimum payment on his account, this would impact negatively on his credit rating.

One of our investigators looked into his complaint. He thought that the compensation HSBC had paid Mr A was fair in respect of the initial bank error. But he felt that the HSBC agents Mr A had dealt with over the phone had failed to ask him the right questions or follow logical steps to put things right. He recommended HSBC should pay Mr A an additional £100 compensation in respect of distress and inconvenience – bringing the total redress amount to £200.

HSBC accepted this recommendation. Mr A, however, didn't agree with the investigator's proposed settlement which he feels is 'disrespectful' bearing in mind everything that happened. Mr A has asked for an ombudsman to review the complaint, so it has come to me to decide.

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.

I've carried out an independent review and having done so, I've reached the same conclusion as our investigator.

I've carefully listened to the call recordings of Mr A's discussions with HSBC. This has given me an insight into just how frustrating and stressful Mr A found this whole experience, and I sympathise. Mr A was particularly concerned he didn't end up effectively making the same payment twice and he spent a lot of time on the phone trying to ensure this didn't happen. At the same time, he was anxious to ensure that the correct direct debit arrangements would be in place going forward. The timing of the date that the direct debit payment was due to be called and the statement dates seem to have been an added complication. But, like our investigator, I think the payment issue should have been relatively straightforward to resolve and the way HSBC dealt with Mr A on the phone made this an unnecessarily stressful experience for him.

The main background facts are not in dispute. HSBC accepted that it made an error when it wrongly referenced the direct debit in the first place and agreed it didn't deal as well on the phone with Mr A as he was reasonably entitled to expect. HSBC accepts that it should pay additional redress to reflect fairly the shortcomings there have been in the service provided to Mr A, as recommended by our investigator.

So as HSBC has upheld the complaint, I will concentrate on the question of fair redress, which is the main reason Mr A has requested an ombudsman referral.

I can see that Mr A has been caused upset and suffered significant inconvenience during the course of his dealings with HSBC. He told us he found dealing with HSBC in connection with this matter very stressful and that what happened affected his health. I've kept in mind that the underlying reason for taking out the credit card was to effect a balance transfer in order to help Mr A restructure his finances to try and save money overall. So I can understand why Mr A would've been worried about the impact on his monthly spending if he'd needed to find money to cover 'extra' payments on top of direct debits. And I appreciate he feels HSBC should be held to account for its admitted poor handling of matters.

Our approach to redress is to aim to look at what's fair and reasonable in all the circumstances of a complaint. One way we would try and do this impartially here is to put Mr A in the position he'd be in if HSBC hadn't been responsible for the poor service issues it has acknowledged. So my starting point is to think about the impact on Mr A of what happened.

I haven't been provided with anything to show that Mr A has incurred any financial losses. HSBC told us it has reported no adverse credit information as a result of what happened. I understand that because the direct debits weren't returned unpaid due to insufficient funds, and Mr A had made the required payment due within 16 days of the due date on the statement, there is no adverse information to report to credit reference agencies. I hope this puts Mr A's mind at rest on this point.

Fair compensation isn't however just about monetary loss – it also needs to properly reflect the wider impact on Mr A of HSBC's service failings.

The £200 overall figure suggested by the investigator matches the level of award I would make in these circumstances had it not already been proposed. I don't doubt that HSBC's poor handling of matters, as described above, caused Mr A significant distress and inconvenience. I am satisfied that the £100 HSBC has paid already is insufficient in these circumstances. I consider £200 is in line with the amount this service would award in similar cases, and fair compensation for Mr A in his particular circumstances.

I have set out below the steps HSBC is required to take.

Putting things right

HSBC should pay Mr A £200 compensation in total to reflect the extent and impact on him of its poor service.

HSBC can set off against my award the £100 it has already paid Mr A in connection with this complaint – so in effect, it is required to pay Mr A the further sum of £100 (if it hasn't yet done so).

My final decision

I uphold this complaint and HSBC UK Bank Plc should take the steps set out above to put things right.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 7 August 2024.

Susan Webb
Ombudsman