

The complaint

Ms P and Mr S complain that HSBC UK Bank Plc (“HSBC”) failed to properly administer their account after a scam.

What happened

Ms P was the main person affected by the issue complained about, so I’ll generally refer to her for ease of reading.

Ms P explained that she was the victim of a scam, resulting in an unknown third party taking over her accounts, including a joint one held with Mr S.

HSBC dealt with the issue and cancelled the cards associated with the account, blocked online access and reset the security. There was an inhibit placed on the account which also prevented several direct debits (DDs) from being paid. Ms P was unaware of this at the time and then started to receive numerous letters from other merchants that the DDs had been cancelled. Ms P then received further letters from some of the merchants, stating that as payments had been missed, additional charges were being added to her outstanding balance. In total, Ms P was asked to pay an additional £175 in charges for missing payments.

Ms P has explained that over a period of about a month, she made numerous visits to HSBC branches and made a large number of calls to try and sort the problem out. She was advised there wasn’t an issue and her concerns went unanswered.

After about a month and many calls and visits, HSBC finally removed the inhibit on the account which allowed full access to the available services (including direct debits). Ms P wasn’t advised she’d need to set up the direct debits again, causing further distress and inconvenience.

Ms P made a complaint to HSBC regarding their handling of her situation and HSBC investigated the situation. They wrote to Ms P and accepted that they let her down with how they’d handled her issue. They apologised and offered to refund the additional (£175) charges Ms P had incurred and pay £250 compensation for the distress this had caused. They also advised Ms P that if she experienced any negative credit reports as a result of the extended block on her account, HSBC would issue “repair of reputation “ letters to those institutions making the credit reports.

Ms P was left unhappy with how HSBC handled her complaint and brought it to the Financial Ombudsman Service for an independent review where it was assigned to an investigator.

Evidence from both parties was requested and Ms P and Mr S provided a substantial package of evidence detailing the impact this issue had had on them, including numerous letters and demands for payments from various merchants and lenders. Ms P sent in a copy of her credit report which detailed one lender had marked a missed payment against her account.

Ms P also raised a further issue regarding a decision by HSBC relating to an overdraft application.

HSBC provided copies of their investigation and supporting documents. They accepted they'd let Ms P and Mr S down, but thought their original offer was appropriate. The investigator sent the evidence (from Ms P and Mr S) concerning the impact the issue had had on them to HSBC who then prepared relevant "repair of reputation" letters for Ms P.

HSBC agreed to increase the compensation payment to £350 plus the expenses incurred (£175). The investigator recommended that the increased offer was reasonable, but Ms P didn't accept it. She argued that:

- the impact hadn't been properly considered given the stress and time taken to deal with the matter.
- Ms P didn't think that HSBC's fraud systems had been corrected to improve their response to victims.
- HSBC hadn't apologised for the lack of information and confusion caused by them.
- She thought the damage to her credit file hadn't been repaired.
- She wanted the latest issue with her overdraft investigating.

As no agreement could be reached, the complaint has now been passed to me for a 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.

I'd like to acknowledge that both Ms P and Mr S were the victims of a scam which resulted in some funds being taken from their account. This was no doubt an unsettling experience caused directly by a fraudster.

Once HSBC understood what had happened, they prevented any further losses and refunds were made for any of the unauthorised transactions. The account was blocked and all access terminated to prevent the fraudster from regaining access to the account. This caused an inhibit to be placed which effectively prevented any of the payments set up on the account to be stopped – including direct debits.

The account was soon re-opened, and new cards and online access was provided. Unfortunately, the inhibit remained on the account and despite many attempts by Ms P to deal with the matter, it remained in place for about a month or so before finally being removed. HSBC have accepted their part in this and it's apparent from their evidence that there was an oversight in successfully dealing with the removal of the inhibit.

This was unfortunate and caused numerous problems for Ms P which was no fault of hers or Mr S's. There's no particular disagreement about what happened, only regarding the redress related to the poor service.

So, I've gone on to review the evidence provided by both parties concerning the impact this had on (principally) Ms P and how HSBC attempted to mitigate the situation.

I understand Ms P wanted additional actions taken by HSBC regarding the fraud, but the broader operation of their systems isn't directly a matter for me to consider in this complaint. But, I have considered how HSBC dealt specifically with their complaint and how it affected Ms P and Mr S. I think that their actions to block the account and reissue the cards was an

appropriate response given the access obtained by the fraudster. It's also clear the inhibit was left on for too long and there were service issues.

Ms P disagreed with the investigator's recommendations and didn't think that HSBC had apologised for their part. Having reviewed the final response letter, HSBC offered an apology for what happened, so I think it's fair to say they have apologised for causing Ms P further difficulty.

In their final response letter, HSBC offered to send "repair of reputation" letters to those merchants/lenders affected by the cancellation of the direct debits. As far as I'm aware, they didn't receive anything relating to them until our investigator sent them as part of the complaint. Once they received the relevant information, they sent letters for Ms P to use with those businesses. I don't think it's fair to say HSBC acted unreasonably here. I think if they'd that information sooner, they would have issued those letters at the time.

I think HSBC's offer to repay the expenses was appropriate and ensured that Ms P was in the same financial position as prior to the loss of her funds. I don't think the revised offer for compensation was unreasonable, particularly given the time the matter went on for. I accept that Ms P and Mr S experienced stress and there was no doubt further inconvenience trying to set up the direct debits again. I don't underestimate the worry caused by numerous letters arriving at their house concerning the failed payments. But, I think it worth remembering that it was a fraudster who originally caused the actions of HSBC when they were trying to protect the account.

It's not surprising that Ms P was worried about the impact on her credit file by this incident and I appreciate the ongoing stress this would have caused. As far as I can see there's only one missed payment marker on her credit file, so hopefully once the repair letter has been received, this should rectify itself if it already hasn't. I did review the recent statements and noticed a couple of direct debits had been returned the previous month prior to the issues with the fraudster, although it doesn't appear that these have been reported against the credit file.

It's also apparent that some of the cancellation letters received by Ms P and Mr S were for arrangements made to pay with their debit card, rather than set up as direct debits. It's likely these would have required Ms P to update them with the relevant businesses, so I don't think these were unnecessarily affected by the way that HSBC handled the matter.

Regarding the latest issue concerning Ms P and her financial arrangements with HSBC – as they've not had opportunity to investigate the matter themselves, I won't be considering it here. If Ms P doesn't obtain satisfaction from HSBC, she can bring a further complaint for our service to consider.

Overall, there's no disagreement that Ms P and Mr S were the victims of a fraudster and then experienced some poor service from HSBC. But I think the increased offer by them is a fair and reasonable way to recognise the impact on Ms P and Mr S. HSBC have already sent repair letters and agreed to repay the expenses and made refunds for the substantive losses, so I won't be asking them to do anything additional to this (on the understanding that all of the repair letters required have been provided).

Putting things right

In order to finalise this complaint, HSBC are now required to:

- Refund £175 costs incurred by Ms P.
- Pay £350 compensation for the stress and inconvenience experienced by Ms P and

Mr S.

- Prepare any further repair letters if they haven't already been provided.

My final decision

My final decision is that I uphold this complaint against HSBC UK Bank Plc and they're now required to settle it as outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms P and Mr S to accept or reject my decision before 24 October 2024.

David Perry
Ombudsman