

## **The complaint**

Mrs H complains that HSBC UK Bank Plc didn't pay her the full amount of the debt collection charge refund she was due.

## **What happened**

Mrs H says that she wrote to HSBC in April 2019 to ask for information about a credit card account she'd previously held with a company that had been taken over by HSBC. She says she'd asked for a refund of the debt collection charges she'd paid before she settled the debt in 2007.

She says that after submitting a subject access request she discovered she had paid debt collection charges amounting to more than £850.

HSBC informed her that she was entitled to a refund of the charge. It refunded her more than £1,000, made up of approximately £500 in overpaid charges, approximately £100 contractual interest overpaid, plus net interest of nearly £500.

Mrs H is unhappy that HSBC didn't refund the full amount of the debt collection charge. HSBC said it calculated the reasonable cost of the debt recovery on her account, and refunded the amount that exceeded this cost. It said the reasonable cost of the recovery amounted to more than £300 - and Mrs H believes this should be paid to her.

One of our investigators looked into the complaint but didn't uphold it. She found that the refund was due under a redress scheme HSBC had agreed with the regulator, the Financial Conduct Authority (FCA). And she felt that HSBC had paid the refund in line with the agreement.

Mrs H disagreed and asked for an ombudsman 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'm not upholding this complaint, for the same reasons as our investigator.

There's no dispute that Mrs H is entitled to a refund of the debt collection charge applied to her old credit card account. But she says she's entitled to the full amount of the refund. The issue I have to consider is whether or not HSBC has calculated the refund, fairly and reasonably, in line with the redress scheme it agreed with the FCA.

In early 2017, the FCA announced it had reviewed a number of accounts and found that a significant number of consumers had paid an "*unreasonable*" debt collection charge, and were entitled to redress.

It said that customers would "*receive redress where they paid more than the actual and necessary cost of collecting their debt*". And it also confirmed that it had agreed the method for calculating the actual and necessary cost with HSBC.

From what I've seen, the calculation HSBC used was in accordance with the approach it had agreed with the FCA. So I'm satisfied that it was fair and reasonable for HSBC to calculate the reasonable cost of the actual recovery and not pay that as part of the refund.

Mrs H complains that the amount withheld for the cost of recovering the debt is excessive, and that she should've been told this money wasn't being paid. She said she didn't find this out until after the refund had been paid.

As outlined above, I don't consider the calculated reasonable cost of the recovery to be excessive. HSBC has agreed the amount would be calculated based on the advice of expert costs solicitors. It agreed this with the FCA and I've seen no evidence to suggest this didn't happen.

I know that Mrs H is unhappy that she received the refund into her account before she was notified of how this was calculated. This is unfortunate, but I can see that HSBC sent her the details of the refund at the same time as it transferred the payment to her account. Mrs H would have preferred to have seen the breakdown first, but I don't consider that she has lost out because of this. She was still able to raise any objections, and she has properly taken that opportunity.

HSBC withheld some of the debt collection charge in line with what it agreed with the FCA. In doing this it has done what I would expect it to do. And this has put Mrs H into the position she would have been in had it charged her the correct fee at the time. I appreciate she has some financial difficulties, and she should seek appropriate advice if she needs it - but HSBC has acted reasonably in refunding the excess fee, plus interest, and paid her compensation for the way it handled her complaint - so I won't be asking it to do anything more.

### **My final decision**

For the reasons set out above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 19 May 2020.

Gordon Ramsay  
**Ombudsman**