

The complaint

'D', a limited company, complains that HSBC UK Bank Plc deducted money from its business account without informing it. HSBC deducted the money as it alleged some of the coin D had deposited was damaged, but D complains that HSBC hasn't provided proof of this nor has it returned the allegedly damaged coin.

What happened

Between December 2018 and January 2020 D deposited a large number of coins into its HSBC business account using the self-service automated coin banking machines ('coin machines').

D later noticed that some of the money deposited had been deducted from its account by HSBC and it hadn't been notified. These deductions were made in June, July and August 2019 and January 2020. In 2019 the deductions were a small proportion of the deposits made, but by January 2020 the entirety of the deposits being made by D were later deducted from its account. In total D had £5,299.01 removed from its account as rejected coin.

D phoned HSBC to find out what had happened and was told the coins had been destroyed.

D hired a solicitor who contacted HSBC for further information about why this had happened. HSBC told D that it had been told the coins were 'garbled' - garbled coins are damaged or mutilated coins. HSBC explained it doesn't own the coin machines within its branches, another company 'V' does. The coins collected by these coin machines are then sent off to V for processing. V examines the coins, and where they are found to be garbled, they are considered fraudulent by V and so sent to The Royal Mint to be destroyed. HSBC said this is what had happened with D's coin.

D remained unhappy and brought its complaint to our service. It noted that it had not been provided with proof the coins were garbled or that the coins had been sent to The Royal Mint for destruction. It said HSBC should either evidence its claims, return the coins to D or pay D the value of the coins.

Our investigator looked into things and was ultimately of the opinion that HSBC hadn't acted fairly. So, they asked HSBC to pay D the £5,299.01 it had deducted from D's account plus 8% simple interest from the date the money was deducted until the date it is paid to D. He also suggested HSBC pay any costs D had incurred, including solicitor's costs, as well as £250 for the inconvenience caused.

HSBC didn't agree. It told our service its policy is not to accept garbled coins. It provided testimony from some of its staff who had concerns over the coin they'd witness D's director attempting to pay into the coin machines.

So, the matter's been passed to me to decide.

After reviewing the evidence, I felt it was likely I'd reach a slightly different outcome to the investigator. So, I shared my provisional findings with HSBC and D so both parties had the

opportunity to make any comments or provide further evidence. My provisional findings were:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

My role here is to determine whether HSBC has acted reasonably in the circumstances. And having carefully considered the evidence provided so far, I'm not persuaded that it has – I'll explain why.

Firstly, I'd like to be clear that although V and HSBC staff had concerns over the coin D deposited, HSBC has told our service the coin in question was damaged. It hasn't suggested the coin was counterfeit or in anyway fraudulent.

HSBC has told our service that from October 2019, The Royal Mint changed its policy which means it will not offer face value for damaged coin, only scrap value. So, HSBC's policy is not to accept garbled coin. And this seems reasonable in the circumstances.

But HSBC has said that its coin machines, which are not foolproof, accepted some of the coin paid in when they shouldn't have. V later identified garbled coin whilst sorting. And HSBC believe D's deposits were the source of the garbled coin. So, it later deducted the face value of the coin from D's account.

I have seen no policy or guidance from HSBC showing that deducting the face value of the coin from the relevant bank account is standard procedure. That being said, I wouldn't necessarily think this was unreasonable if HSBC could demonstrate there was garbled coin and that the garbled coin in question was deposited by D. But I'm not persuaded that it can.

Firstly, I have limited evidence that the coin in question was garbled. HSBC has provided internal emails from January 2020 which reference that £1,814 worth of £1 coins were considered garbled by V – a picture of the garbled coins was included. I have also seen internal screenshots confirming these figures were charged back to HSBC by V.

As well as these communications, I have accounts from three of HSBC's branch staff who said they witnessed D's director depositing coins using the coin machines. All three had concerns over the quality of the coin.

One staff member recalled the coins were discoloured and some were in bad condition – they said D's director told them the coins had come from a charity wishing well. Another staff member recalled many of D's coins being rejected by the coin machine or getting stuck. A third said they were told the coins were 'wet and oily' because they'd been recovered from a charity wishing well. The same staff member said eight out of ten coins D paid in were rejected, and the director left with much of their coin undeposited. At the end of that day the HSBC staff member found £58 worth of coin in the coin machine's 'purge tray' which they then deposited for D and sent off separately to V for processing. They advised V later rejected £40.83 of that coin as garbled.

These accounts do add weight to HSBC's suggestion there was something wrong with the coin D was attempting to pay in. But this isn't the same as demonstrating the coin D did pay in was garbled. Most of the coin that was sent to V (with the exception of the purge tray submission) was accepted by the coin machines, machines that are designed to try to identify problematic coin, including garbled coin. This is not to suggest they're foolproof. But the reason HSBC's staff had concerns is because the coin machines were rejecting coin – which suggests the coin machines were doing their job. So, the staff accounts alone aren't enough to persuade me the accepted coin was also problematic.

Ultimately, it was V's examination of the coins that determined they were garbled. Yet I have seen no evidence, reports or emails from V directly. HSBC also hasn't provided any policy or explanation of what further testing the coins undergo with V that enables it to establish coins are garbled where the branch coin machines cannot. The picture of coins that's been shared with me also doesn't appear to show visible damage, although I'd note that it's not of particularly good quality. In addition, the evidence HSBC has provided all seems to refer to D's January 2020 deposits, which are only a portion of the coin it then deducted from D's account. So even if I were to have been persuaded there was garbled coin in the accepted coin machine deposits in January 2020, the evidence provided tells me nothing about the coin deposited in other months which HSBC has then deducted from D's account.

HSBC also appears to have rejected garbled coin from D prior to when it said The Royal Mint changed its policy and stopped accepting garbled coin. So, I've seen no evidence from HSBC to persuade me that the deductions made in June, July and August 2019 were fair.

HSBC also seems to have presumed that D alone is responsible for all of the garbled coin in any of the coin collections where D had made a deposit. This is despite the fact these collections would have contained deposits from other customers who'd used the coin machine. I appreciate it will be practically impossible for HSBC to trace the precise origin of coin where multiple customers have made deposits into a coin machine. And in light of the testimony of staff and the size of the deposits D made, it's possible HSBC's conclusion that it's most likely the garbled coin came from D could be reasonable. But without more information on how regularly V is returning garbled coin to HSBC and at what amounts, without something to suggest D's involvement is creating particularly abnormal rejected coin figures, I can't say it was. I'd also note that HSBC kept 100% of the last few deposits D made and yet its own staff members 'test' of the rejected purge tray (which could be entirely attributed to D), found that not all of the deposited coin was garbled.

Ultimately, where HSBC is deducting money from its customers' account on the basis deposits were not legal tender, I would expect it to have evidence to demonstrate the coin in question was garbled. But HSBC hasn't been able to provide anything more than circumstantial evidence.

As an aside, I'd note that HSBC has also said The Royal Mint offers scrap value for the garbled coin since October 2019. But I cannot see that it has credited D with the scrap value for the coin it says D deposited – which I also think is unfair.

For all of these reasons, I am not persuaded it was reasonable for HSBC to make any deductions from D's account. So, I agree with our investigator that it ought to refund D the £5,299.01 and pay 8% simple interest on the various deductions from the date the money was deducted until the date it is paid to D – it should calculate this on each deduction rather than the sum as a whole. I also agree with our investigator that HSBC should pay D £250 for the inconvenience caused by its error.

That being said, I don't intend to ask HSBC to pay D's costs. The only costs I've been made aware of are solicitors' fees. D chose to appoint a solicitor in order to raise its complaint with HSBC but there was no requirement on it to do so. D was able to raise a complaint on its own behalf. So, I don't think HSBC can be fairly asked to reimburse these costs as I'm not persuaded these were an unavoidable consequence of HSBC's mistake.

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.

D was happy with the provisional decision and had nothing further to add. HSBC didn't add anything further either.

So, having carefully considered all the evidence, I see no reason to depart from my provisional findings.

My final decision

My final decision is that I uphold this complaint. I direct HSBC UK Bank Plc to:

- Pay D £5,299.01 and pay 8% simple interest on the various deductions it made from the date the money was deducted until the date it is paid to D – it should calculate this on each deduction rather than the sum as a whole.
- Pay D £250 for the inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask D to accept or reject my decision before 7 January 2022.

Jade Cunningham
Ombudsman