

## **The complaint**

Mr W complains that HSBC UK Bank Plc ("HSBC") shouldn't have charged him interest on repayments to his credit card, following a conversation he had with them.

## **What happened**

Mr W was on a debt management plan from around October 2019 and he says he was paying no interest on his credit card at the time. Mr W holds a credit card with HSBC, who he says was his biggest creditor that he repaid through the plan. His financial circumstances began to improve and so he says he was considering leaving the debt management plan and making his credit card repayments directly to HSBC. Mr W says he was told that if he started to make payment directly to HSBC, there would be no change to interest being applied. But when he left the plan he was on and began making direct payments to HSBC, interest charges accrued.

He believes it would have been better to stay on the debt management plan and pay no interest to help clear his balance quicker on his debt.

HSBC wrote to Mr W and apologised for the confusion about his repayment arrangement. As a gesture of goodwill, they refunded interest amounts totalling around £70, along with some additional compensation of £25. Mr W believes the interest amounts totalling around £70 was around one month of interest payments.

Mr W remained unhappy with HSBC's response and so referred his complaint to our service.

He says that when considering exiting the debt management plan, his decision was largely based on HSBC not charging him ongoing interest as the largest portion of his debt was with them. He says he was told explicitly on a call with HSBC that everything would remain the same and no interest will be charged. He says that had he known he would be charged interest, he would have continued on the debt management plan. Mr W says he is currently paying to HSBC directly and interest is being applied.

HSBC say they were unable to listen to the call where Mr W says he was given incorrect information, so they refunded the sums above as a gesture of goodwill. But they believe their terms make it clear Mr W's contractual position on paying interest and that the full balance needs to be paid by the statement due date to avoid interest. On some occasions they say they may be able to suspend interest as a gesture of goodwill.

Our investigator felt that HSBC hadn't done enough to put things right. He felt that, while he hadn't been able to listen to any recording, Mr W says he was told the incorrect information, he was persuaded by what he said and believes the incorrect information led him to exit the debt management plan at an earlier stage than was necessary. He found that it was likely Mr W's debt management plan would have been reviewed at around 12 months after he started the plan. He felt that it is likely at that stage Mr W would have exited the plan, given his financial circumstances had improved and had he not been given incorrect information in a call with HSBC. So, he felt that HSBC should refund all interest payments and charges he

paid since exiting his debt management plan to before November 2020's interest charges being applied.

HSBC responded saying they accepted the investigator's view. Mr W responded saying he disagreed with it. He believes that at the next review of the debt management plan he would not have been advised to make the payments directly to HSBC, but rather remain in the plan and pay an increased amount, given his financial circumstances had improved. He believes, crucially, these increased payments would not have been subject to interest and charges.

The case has now been passed to me to decide on.

### **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.

Having done so, I'm upholding this complaint and my thoughts are broadly similar to that of our investigator.

HSBC say that their terms make it clear Mr W's contractual position on paying interest on his credit card and that the full balance needs to be paid by the statement due date to avoid interest. They also believe it was Mr W's choice to leave the plan. While the terms of Mr W's credit card do make it clear when interest will accrue and when it needs to be paid, I've considered what is fair in these circumstances.

Mr W says he was in a debt management plan from around October 2019. He says he was considering exiting the plan to build up his credit score. So he says he discussed his options with HSBC as they were the largest creditor he owed money to. He wanted to understand whether interest will begin to be charged again if he started to pay them back directly rather than through a debt management plan. Mr W believes he was told in a call with HSBC that interest wouldn't be charged if he made payments directly to them. So, he left his plan and began to pay HSBC back directly, resulting in interest charges.

HSBC's notes show that Mr W called and asked if he could start paying directly in August 2020. But their notes aren't clear or detailed, and HSBC is unable to locate a recording of the call. While I can't know exactly what was said, I'm persuaded by Mr W's testimony that the interest payments were discussed. HSBC has already paid Mr W around £95 and it's agreed with our investigator's recommendation to remove any other interest that was applied before November 2020. Mr W doesn't think this is enough. He thinks HSBC should remove all the interest it charged from the end of the plan and stop charging any further interest until he's cleared the debt.

A business doesn't have to stop charging interest even if someone is on a debt management plan. But they do have an obligation to act positively and sympathetically if they are aware that their customer is experiencing financial difficulties. In this instance, HSBC agreed not to charge interest when the plan was in place. But Mr W decided to end the plan after around ten months as he says HSBC told him it would continue not to charge interest. I don't know exactly what was said in that call and as I've said above, I'm persuaded by what Mr W has said. So it's possible he was given misleading information. But HSBC has agreed to refund any interest applied before November 2020. I think this is a fair and reasonable outcome.

I'm pleased that Mr W has had the benefit of the debt management plan to help with his financial circumstances and help him to get back on track with his repayments. But I don't think it is fair for HSBC to be expected to allow Mr W to continue to pay no interest charges indefinitely or for a further period of time past its original debt management plan. The

website of the debt management organisation the plan was arranged with says it must review the plan at least once a year. Mr W says his financial circumstances improved to the point where he was no longer paying back some of his other creditors through the plan. So I think it's reasonable to assume he was in a position to leave the plan at the end of its review after 12 months and pay back directly to HSBC.

In these circumstances I can't say HSBC needs to do anything further other than what I've asked them to do below.

### **Putting things right**

HSBC UK Bank Plc should refund any interest or charges applied to Mr W's credit card account from when he left the plan up until the end of October 2020. HSBC UK Bank Plc have already refunded some interest charges to Mr W. So their further refund should be minus what they've already refunded.

### **My final decision**

For the reasons I've explained, I uphold this complaint and direct HSBC UK Bank Plc to put things right by doing as I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 30 December 2021.

Ronesh Amin  
**Ombudsman**