

The complaint

Mr S has complained that HSBC UK Bank Plc (“HSBC”) haven’t dealt with his credit card debt in accordance with the Financial Conduct Authority’s (FCA’s) rules for dealing with customers in persistent debt.

What happened

Mr S has had a credit card with HSBC for many years. The credit limit has varied over the years, with the most recent increase (to £9,500) being made in early 2016.

In April 2020, Mr S contacted HSBC to complain that HSBC had allowed him to remain in a state of persistent debt for about ten years without taking any steps to help him resolve the situation – which he said another credit card provider had done. He said HSBC had failed to follow the FCA’s rules on dealing with persistent debt.

HSBC investigated Mr S’s complaint but didn’t uphold it. They explained that they don’t monitor customers’ spending until they reach a point where they’re paying more in interest than they are to reduce their balance.

Mr S wasn’t satisfied with HSBC’s response and brought his complaint to us. In addition to his concerns about persistent debt, he said HSBC should never have increased his credit limit to £9,500.

Our investigator considered Mr S’s and concluded HSBC didn’t need to take any steps to put matters right. He explained the FCA’s rules about persistent debt came into force in September 2018. They required HSBC to monitor whether customers fell into the persistent debt category. If they did, HSBC had to write to customers at key milestones - the first of which was after they’d paid more in interest than they had to repay their debt for 18 months.

The investigator reviewed Mr S’s credit card statements and noted that, at the time Mr S complained, he hadn’t been in this position for 18 months. But HSBC wrote to him in July 2020 when he had been. And they’d written again nine months later – as the rules required.

With regard to the credit increase, the investigator noted that HSBC had written to Mr S before it was applied. The letter asked him to contact HSBC if he foresaw any problem with this. And it gave Mr S the option to decline the increase. He noted at the time Mr S was meeting, and often exceeding, the payments required. So he didn’t think it was unfair to increase the limit.

Mr S didn’t agree with the investigator’s view. So I’ve been asked to make 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.

Having done that, I’m not upholding Mr S’s complaint. I’ll explain why.

I can see Mr S has received a refund from another credit card provider with whom he says he was in a similar position. I understand why that would raise questions for him. But it doesn't necessarily mean HSBC should also refund payments to him.

As our investigator explained, the rules about how businesses should identify and deal with customers in persistent debt came into force in September 2018. So I can't say HSBC did anything wrong by not applying them before this.

But, even though there was no rule requiring them to, I can see HSBC wrote to Mr S in early 2017, highlighting the consequences of only making minimum payments, inviting him to contact them about his finances and providing details of services who could support him if he was struggling financially. I think that action was reasonable. I've not seen any evidence that Mr S responded to that letter.

Like our investigator, I've looked at Mr S's statements starting from September 2018 to see how the payments he made were split between making interest payments and reducing his debt. I can see the first time interest payments were higher was at the end of 2018 – 18 months before HSBC wrote to Mr S about him being in persistent debt.

So I'm satisfied that HSBC were monitoring Mr S's debt and wrote to him promptly when required by the FCA's rules. And I've seen they followed that up nine months later as they should have done. Both letters provide the information they have to about how much has been paid, that the balance can be reduced by increasing monthly payments and warning their account may be suspended if they're still in persistent debt after 36 months.

Mr S told our investigator that he'd tried to get help from HSBC by asking for his overdraft to be extended and trying to get a consolidation loan. Unfortunately, HSBC's files show no contact about a loan. They do show Mr S asked for an increase in his overdraft – which was declined. But there's nothing to show Mr S requested this because of any difficulty in making his credit card payments. In the absence of that evidence, I can't say HSBC should have done more than they did.

Finally I've considered Mr S's complaint that his card limit was increased to £9,500. As our investigator said, HSBC wrote to him advising him of the increase before it was applied – and offering him the choice to decline it. Mr S was making regular payments at, or over, the minimum. And, again, HSBC offered Mr S the opportunity to discuss any financial issues he was having before the increase was applied. I don't think it's reasonable to say HSBC should have done more.

My final decision

For the reasons I've explained, I'm not upholding Mr S's complaint about HSBC UK Bank Plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 30 March 2022.

Helen Stacey
Ombudsman