

## **The complaint**

Ms B has complained that HSBC UK Bank Plc (“HSBC”) acted unfairly by continuing to apply charges to her account when she was in financial difficulty.

## **What happened**

Ms B complained to HSBC following it cancelling her debit card and making it difficult to withdraw her benefit money. She says she could not afford to repay her overdraft due to the charges HSBC applied to her account. HSBC didn’t uphold the complaint, it says no bank error was made and it had already refunded Ms B a significant amount in charges.

Ms B’s complaint was considered by one of our adjudicators. They thought that HSBC ought to have realised that Ms B was experiencing financial difficulty by 23 March 2015 and so shouldn’t have added any more interest, fees and charges from this point onwards. Despite extra time given to respond HSBC hasn’t provided any further response so the case was passed to an ombudsman.

## **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.

HSBC will be familiar with all the rules, regulations and good industry practice we consider when looking at whether a bank treated a customer fairly and reasonably when applying overdraft charges. So I don’t consider it necessary to set all of this out in this decision.

Having carefully considered everything provided, I’m intending to find that HSBC acted unfairly when it continued charging overdraft interest and associated fees on Ms B’s overdraft from 23 March 2015. By this point, it ought to have been clear that Ms B was in no position to sustainably repay what she owed within a reasonable period of time.

By this point, Ms B was hardcore borrowing. In other, words she hadn’t seen or maintained a credit balance for an extended period of time. HSBC’s own literature suggests that overdrafts are for unforeseen emergency borrowing not prolonged day-to-day expenditure. So I think that Ms B’s overdraft usage should have prompted HSBC to have realised that Ms B wasn’t using her overdraft as intended and shouldn’t have continued offering it on the same terms. As HSBC didn’t react to Ms B’s overdraft usage and instead continued charging in the same way, I think it failed to act fairly and reasonably.

Ms B ended up paying additional interest, fees and charges on her overdraft and this ended up exacerbating difficulties she already had in trying to clear it. So I think that HSBC didn’t treat Ms B fairly and she lost out because of what HSBC did wrong. And this means that it should put things right.

## **Putting things right**

Having thought about everything, I think that it would be fair and reasonable in all the circumstances of Ms B's complaint for HSBC to put things right by:

- Buying back Ms B's debt (sold to a third party) or inform the third party company to take into account the following adjustments.
- Reworking Ms B's current overdraft balance so that all interest, fees and charges applied to it from 23 March 2015 are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made HSBC should contact Ms B to arrange a suitable repayment plan for this. If it considers it appropriate to record negative information on Ms B's credit file, it should reflect what would have been recorded had it started the process of taking corrective action on the overdraft on 23 March 2015.

OR

- If the effect of removing all interest, fees and charges results in there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Ms B along with 8% simple interest† on the overpayments from the date they were made (if they were) until the date of settlement. If no outstanding balance remains after all adjustments have been made, then HSBC should remove any adverse information from Ms B's credit file.

† HM Revenue & Customs requires HSBC to take off tax from this interest. HSBC must give Ms B a certificate showing how much tax it has taken off if they ask for one.

## **My final decision**

For the reasons I've explained, I'm upholding Ms B's complaint. HSBC UK Bank Plc should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B to accept or reject my decision before 13 April 2022.

Caroline Davies  
**Ombudsman**