

The complaint

Mr J says HSBC UK Bank Plc didn't return the funds to his account for over a month after an international transfer failed, and then there was shortfall of £29.60. This detrimentally affected his physical and mental health.

What happened

Mr J sent £23,380 to an international account for a property purchase on 7 February 2022. He paid a £5 fee. The recipient bank was unable to locate the beneficiary account and so the funds were returned to HSBC. HSBC notified Mr J that there was a problem on 8 February 2022. Mr J then contacted the bank multiple times asking when the money would be returned to his account. He was repeatedly told it would take between 3 and 7 days. The money was received from the beneficiary bank and credited to HSBC's suspense account on 18 February 2022. £23,353.10 was transferred to Mr J's account on 10 March 2022.

HSBC explained that there had been a two-week delay in Mr J receiving his money due to an error it made, and it apologised for this. It offered £100 for any distress and inconvenience caused.

Mr J came to this service saying he wanted a full apology and more adequate compensation.

Our investigator didn't uphold the complaint. She thought the bank's offer was fair and explained that the £29.60 shortfall was caused by the difference in exchange rates when the money was sent and returned. She explained this adjustment was in line with the terms and conditions of Mr J's account.

Mr J asked for an ombudsman's review. He said the investigator's assessment showed bias and favoured the bank. He was without access to his money for a month and we haven't addressed how this impacted him. I reviewed the complaint and made an additional finding that altered the outcome, so I issued a provisional decision to allow both parties to comment. An extract follows and forms part of this final decision.

Extract from my provisional decision

I am planning to uphold Mr J's complaint in part. I'll explain why.

Whilst I agree with much of the investigator's assessment, I think that as part of a fair settlement HSBC needs to better recognise that its error that delayed the return of the money to Mr J. And this meant he didn't have that money to use for a period of time. I will say more later about what it needs to do.

I have looked at the transfer process and the amount HSBC returned to Mr J. I can't find any failings in the bank's actions at this stage. The terms and conditions of the account allow HSBC to use the day's exchange rate which accounts for the £29.60 difference. And it alerted Mr J in a timely manner that there was a problem with the transfer.

However, once the recipient bank returned the funds I think HSBC failed Mr J. It has accepted it made an error and this caused a delay in allocating the money to Mr J's account.

And it has apologised and offered Mr J £100 in support of its apology.

I think this is reasonable in part, but HSBC offered it for 'any distress and/or inconvenience caused' and it has not taken into account the loss Mr J suffered from not having access to his funds. Therefore, I am planning to also award Mr J compensatory interest.

Mr J asked for £1,000 compensation but I am not persuaded that level of settlement is proportionate. I do note the delay created significant stress and anxiety for Mr J. But to reach my conclusion I have thought carefully about the scale and impact of the bank's error, as well as the duration of the problem.

Mr J also said that he was unable to proceed with his property investment as a result. The investigator asked for more information, but Mr J has not sent in any related evidence so I haven't been able to consider this. But, more crucially, as I found no error in how HSBC processed the international transfer initially I don't see there would be any grounds to conclude it was any part liable for the missed investment opportunity.

I asked the parties to respond with any comments by 15 June 2022. As they both responded before this deadline I have been able to issue my final decision sooner.

Mr J accepted the provisional decision, finding it to be fair and reasonable.

HSBC asked if I was implying the funds should have been returned to Mr J on the same day, and said the account the payment was made from does not pay interest on credit balances so the customer would therefore not have benefitted from any interest.

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.

In response to HSBC's comment about the same-day return of funds, I asked it to provide evidence of the timings it usually works to when moving money from its suspense account back to a customer's account. It said it aims to complete this as quickly as possible, and within 48 hours. It acknowledged the transfer back to Mr J did not meet this service level. Equally I accept the redress in my provisional decision did not allow for this 48-hour period, and I think it is fair to build this in. I have amended what HSBC needs to do accordingly in the relevant section below.

HSBC also questioned my interest award arguing that the account the money came from did not pay interest on credit balances. But that is not the point – its failing left Mr J without his money and our approach in such circumstances is to ask the business to calculate the number of days the customer didn't have the money and apply 8% interest a year. We award interest at 8% simple as it's the current rate on judgment debts. So this point it made does not change my decision.

Putting things right - what HSBC must need to do

HSBC must pay the £100 it offered Mr J for the trouble and upset its error caused.

In addition, it should pay simple interest at 8% a year from 48 hours after the date it received the funds back from the recipient bank (so 20 February 2022) to the date it returned them to Mr J's account (10 March 2022).*

* HM Revenue & Customs requires HSBC to take off tax from this interest. HSBC must give Mr J a

certificate showing how much tax it's taken off if he asks for one.

My final decision

I am upholding Mr J's complaint in part. HSBC Bank UK Plc must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 8 July 2022.

Rebecca Connelley
Ombudsman