

## **The complaint**

Mr W complains HSBC UK Bank Plc charged him interest on his credit card account but wouldn't let him have a new credit card.

## **What happened**

In November 2019 HSBC agreed not to charge interest on Mr W's credit card account for six months as he was in financial difficulties. It wrote to him in April 2020 to say the arrangement was coming to an end. The letter said Mr W needed to contact HSBC with details of his income and expenditure, and if he didn't it would start charging interest again. Mr W didn't contact HSBC at this time.

In May 2020 Mr W complained to HSBC that he couldn't use his credit card. HSBC explained that when the arrangement not to charge interest was agreed, Mr W should have been told he wouldn't be able to use the credit card again. But because he'd been given the impression this was only a temporary restriction, and he had brought the account up to date, HSBC agreed to let him spend on the account again. Although interest should have been charged from May 2020, it hadn't been. HSBC said the account would start to incur interest from the end of July 2020.

Mr W continued to spend on the account between July 2020 and October 2021. During this time no interest was charged. In November 2021 Mr W contacted HSBC because his credit card had expired and he wanted a new one. A new credit card hadn't been issued because of the restriction that had been put on the account back in November 2019. The person Mr W spoke to removed the restriction, so interest started being charged but Mr W wasn't sent a new card.

When Mr W still hadn't received a replacement credit card in January 2022, he complained to HSBC. By this time his account had been closed. HSBC said it had given Mr W the wrong information when he called in November 2021. He shouldn't have been told a new card would be issued, as given the history of the account HSBC would need to do an affordability review before agreeing this. It also said the account had automatically closed because the cards had expired and were no longer valid. HSBC paid Mr W £100 as compensation for the inconvenience caused by giving him the wrong information.

Mr W says he only "agreed to come off the plan" because he was told he would have access to the account. If he'd been given the right information, he wouldn't have agreed to put himself in a situation where he would incur interest but not be able to use the account. He wants HSBC to refund all interest he's been charged since November 2021 and to pay him additional compensation.

I issued a provisional decision about this complaint and explained why I didn't think HSBC did anything wrong by not sending Mr W a new credit card or by starting to charge him interest in November 2021. But as it didn't give him the right information at that time, he was caused unnecessary distress and inconvenience for which I thought HSBC should pay him a further £100. I said:

*“Looking over everything that’s happened with Mr W’s credit card account since November 2019, it’s fair to say HSBC has made some mistakes. Most notably, HSBC didn’t charge Mr W interest for two years, when this arrangement should only have lasted six months. Mr W has benefited significantly from this mistake – saving over £7,000 in interest according to HSBC. But Mr W should never have been in a position where he could carry on spending on his card and pay no interest on the account.*

*The reason HSBC agreed to the six-month arrangement where it wouldn’t charge Mr W interest was because he was in financial difficulties. It was to allow him a bit of breathing space, time for his situation to improve and the opportunity for any payments he was able to make to reduce his outstanding balance. When this sort of arrangement is put in place, it is usual for further spending to be blocked. After all, if someone is in financial difficulties and unable to make their contractual payments, it would be irresponsible to allow them to borrow more money they can’t afford to repay.*

*I mention this because it is important when considering what should have happened when Mr W contacted HSBC in November 2021. Despite what Mr W says, it wasn’t for him to “agree to come off the plan” – any arrangement that had been agreed with HSBC had ended in 2020. And I think Mr W ought reasonably to have known this after he was sent letters confirming interest would be charged, even if it subsequently wasn’t. But HSBC didn’t deal with things properly in the call and it accepts this.*

*HSBC says Mr W should have been referred to its Lending Team so they could review how he’d managed his account and information on his credit file to decide whether to give him new cards. And given the history of the account, together with how much Mr W already owed HSBC, I think this would have been a reasonable approach for HSBC to take. I think it’s fair it wasn’t prepared to send him new cards if this review didn’t take place. Mr W was given the option of asking for this review in HSBC’s final response – I understand he didn’t take up this offer.*

*Turning now to the interest charged on the account since November 2021. The starting point here is that the agreement Mr W had with HSBC was that he would pay interest on the outstanding balance. In times of financial difficulties, it might be appropriate for HSBC to show forbearance and stop charging interest for a short period – this is one of a range of options that might be available if someone is unable to make their contractual payments. But this isn’t something any customer is automatically entitled to, and it will depend on their individual circumstances.*

*In the call Mr W had with HSBC in November 2021 there were some signs he might still have been in financial difficulties, and I would have expected HSBC to pick up on this. So as well as referring him to the Lending Team to carry out the affordability assessment for a new card, I also think HSBC should have given Mr W the option of speaking to its Financial Support Team if he felt he would struggle with the contractual payments. This might have led to HSBC agreeing not to charge interest for a further period if Mr W’s financial situation was such that this would be an appropriate forbearance measure.*

*Mr W wasn’t charged interest from February 2022 onwards anyway. So for me to say HSBC needs to refund any of the interest Mr W has been charged since November 2021, I’d need to be persuaded that, if HSBC had done what it should have – ie offer Mr W the option of speaking to the Financial Support Team:*

- a) He would have contacted the Financial Support Team before February 2022, and*
- b) HSBC would have agreed not to charge him interest from that point.*

*I can’t know for sure what would have happened, so I need to decide what’s more likely.*

*While some of what Mr W said in the call suggested he might be in financial difficulties, it doesn't go so far as to indicate he definitely couldn't afford the payments – after all, he wanted to carry on using the account and, when he thought he was going to get a new card, he was prepared to pay the interest. And in the final response letter from 1 February 2022, HSBC did tell Mr W he could contact the Financial Support Team if he was in financial difficulty. From what I understand, he didn't do so until some months later when a payment break was agreed.*

*So, while it's possible HSBC might not have charged Mr W interest from November 2021 if it had done what it should have, I think it's more likely Mr W would still have been charged interest after this time. It follows that I don't think HSBC needs to refund any of the interest Mr W has been charged.*

*I understand Mr W's frustration when he found out his account had been closed – particularly when the reason given was that it was because he didn't have valid cards, when at the time he still was under the impression new cards were being sent to him. And, in the circumstances, I think HSBC should have given Mr W notice the account was being closed, as per the terms and conditions of the account. But I don't think it did anything wrong by closing the account when it did. In practice this has made very little difference to Mr W's position. Even if the account hadn't been closed, he still wouldn't have been able to spend on it as he wasn't able to get a new card unless it was agreed by the Lending Team.*

*HSBC has paid Mr W £100 compensation for the distress and inconvenience its mistakes caused him. I don't think this goes far enough. Mr W spent two months expecting to get a new credit card and chased this on many occasions. He was given the wrong information time and time again and then found out his account had been closed, without any warning. I think HSBC should pay Mr W a further £100 to recognise the amount of distress and inconvenience it caused by not giving Mr W the right information when he called in November 2021.*

*So, in summary, I don't currently think HSBC did anything wrong by not sending Mr W a new credit card or by starting to charge him interest in November 2021. But as it didn't give him the right information at that time, he was caused unnecessary distress and inconvenience for which I currently think HSBC should pay him a further £100."*

Mr W responded to say he didn't agree with my provisional decision. In summary, he said:

- He was charged over £1,200 interest in a time of extreme financial stress, for a revolving credit facility he was unable to use. He would not have been charged this interest if the correct information had been provided in the first place.
- The additional £100 compensation I awarded isn't anywhere near sufficient for the impact this has caused for over a year, when HSBC unethically charged him over £1,200 interest.

HSBC also disagreed with my provisional decision. It said Mr W did speak to the Financial Support Team on 30 November 2021, but he declined their support. It says that if Mr W had accepted a review with the Financial Support Team at that time, it's likely interest and charges would have remained frozen but instead Mr W was looking for additional borrowing. It didn't think it should pay an extra £100 compensation given the benefit Mr W has had of the savings on interest and charges.

### **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, my decision remains that same as that set out in my provisional decision. I don't think HSBC needs to refund the interest and charges Mr W incurred between November 2021 and February 2022. But I do think HSBC should pay him a further £100 compensation for the distress and inconvenience it caused Mr W.

Mr W has pointed to the Financial Ombudsman's approach of putting someone back into the position they would have been in if the mistake had not been made. In my provisional decision, I explained why I thought it was likely Mr W would have paid interest even if HSBC hadn't made any mistakes. The information HSBC has now given me about Mr W's conversation with the Financial Support Team at the end of November 2021 reinforces this conclusion.

Mr W had an opportunity to have a proper conversation with HSBC about his '*extreme financial distress*' in November 2021 but the notes from that time record he didn't want any plan, he wanted further lending to tide him over. As I explained in my provisional decision, waiving interest and charges might be something a business agrees to do if someone is in financial difficulties, but it does depend on someone's individual circumstances. And for HSBC to agree to do this, it would have needed a full understanding of Mr W's situation. As Mr W didn't want to discuss this at the time, I don't think it would be fair for me to conclude HSBC shouldn't have charged Mr W interest from November 2021.

It follows that any impact on Mr W of HSBC charging him interest between November 2021 and February 2022 isn't something I think HSBC needs to compensate him for.

I understand HSBC's position that it doesn't think it should pay Mr W any additional compensation for the distress and inconvenience he was caused around this time. But I don't think it's fair for it to continue to use the 'savings' it says Mr W benefited from as a result of its mistake in not charging him interest for two years, as a reason not to pay him further compensation.

HSBC didn't handle this situation well. It wrongly gave Mr W the impression he would be getting a new credit card, continued to give him incorrect information when he chased this up and then closed his account without any warning. It took over two months to give Mr W the correct information and I think it would be fair for it to pay him further compensation to recognise the frustration and inconvenience he was caused during this time. I therefore still think HSBC should pay Mr W a further £100 compensation.

### **My final decision**

For the reasons set out above, and in my provisional decision, I uphold this complaint. HSBC UK Bank Plc should pay Mr W £100.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 14 February 2023.

Claire Allison  
**Ombudsman**