

The complaint

Mrs K is a sole trader. She complains that HSBC UK Bank Plc applied interest to her overdraft over a long period of time, which accumulated a debt which it then pressured her to clear, without providing reasonable support.

What happened

Mrs K had an overdraft with HSBC. In 2017, HSBC identified that Mrs K was struggling to repay this debt, while interest and fees were continuing to accrue. HSBC gave Mrs K two periods of interest-free respite, but she was still unable to bring the debt down. HSBC then issued various warning letters and eventually called in the debt, passing the account to its Recovery Services division.

In 2021, Mrs K complained to HSBC. She said that, through this period, HSBC had not supported her effectively. HSBC responded to say that it had done nothing wrong. It said it had acted fairly in pursuing the debt and had provided Mrs K with all reasonable support.

Separately, around this time, HSBC conducted a review of its collections and recoveries processes. This resulted in it identifying that, in Mrs K's case, although it had followed its procedures at the time, it could have delayed slightly the timing of some of its correspondence. HSBC paid Mrs K £75 in total as compensation for this.

Not content with HSBC's response to her complaint, Mrs K brought it to our service. Our investigator looked into things but said that, in her view, HSBC had treated Mrs K fairly. She said that the bank had given periods of respite to Mrs K, notified her of what would happen, and was entitled to take the actions it had.

As Mrs K didn't agree with this view, it was passed to me to decide.

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.

I believe there are two key issues:

- Did HSBC act fairly in charging interest and fees on Mrs K's overdraft?
- Did HSBC act fairly in how it sought to recover Mrs K's overdraft, including in the support it provided her?

I consider each in turn.

Charging interest and fees on the overdraft

Mrs K had her overdraft for some considerable time. I have checked the communication sent by HSBC to Mrs K – this includes HSBC's banking price list, which sets out the interest and

fees applying to approved overdrafts, and the terms and conditions of Mrs K's account, which sets out the circumstances in which interest and fees apply. HSBC has confirmed that updated versions of its terms and conditions were provided to Mrs K throughout her period of borrowing.

I have also checked Mrs K's monthly statements and confirmed that the interest and fees being added to her borrowing were clearly recorded.

Given that HSBC explained to Mrs K what interest and fees would apply to her overdraft and clearly set out in her statements the amounts charged each month, I do not believe that the bank can reasonably be expected to have done any more to make Mrs K aware of the amount she was paying for her borrowing.

I also do not believe HSBC did anything wrong in charging these amounts. While I can appreciate that Mrs K would have liked not to have been charged, particularly if she was struggling to repay the debt, I do not believe HSBC acted unreasonably in conducting Mrs K's account according to the terms it had agreed with Mrs K, including in the interest and fees it charged.

For these reasons, I do not believe HSBC treated Mrs K unfairly in the interest and fees it charged her on her overdraft.

Recovering the debt

I have checked the correspondence sent by HSBC to Mrs K in 2017:

- In early May, HSBC recognised that Mrs K was struggling to repay the debt and gave her a two-month interest-free respite period. At the end of June, it repeated this with a further two-month interest-free period.
- At the end of August, with the periods of grace expiring, HSBC explained to Mrs K how her debt was being treated and what action was required. Soon afterwards, it issued a default notice. This was followed in early September by a pre-demand letter.
- At the end of September, HSBC issued Mrs K with a final demand notice, warning of the debt being passed to a debt collection agency. In October 2017, the debt was passed to HSBC Recovery Services, which ultimately agreed with Mrs K a substantially reduced settlement amount. This amount was paid, and the debt fully settled.

It appears to me that HSBC provided Mrs K with clear updates throughout this process on how her debt was being treated and the action required. It also provided two periods of interest-free respite; and, ultimately, agreed a settlement of the debt at a substantially reduced amount.

I am sure that this process would have been stressful for Mrs K. However, I cannot say that HSBC did anything wrong. HSBC followed the terms and conditions of Mrs K's account in line with its standard procedures.

I note that, subsequently, HSBC reviewed those procedures and found that it could have provided Mrs K slightly more time in some of its correspondence. However, in the circumstances of Mrs K's borrowing, I do not believe that would have changed the outcome or made any significant difference to the process experienced by Mrs K. Therefore, I believe HSBC has fairly compensated Mrs K for this.

Overall, while I acknowledge that this period in which her overdraft was called in would have been a very difficult time for Mrs K, I believe HSBC acted reasonably to support her, and I don't require it to take any further action.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K to accept or reject my decision before 20 March 2023.

Andy Wright
Ombudsman