

The complaint

Mr T complains that HSBC UK Bank Plc (“HSBC”) didn’t change a Direct Debit in line with his instructions. He says this caused his account to become overdrawn on more than one occasion and caused him a great deal of distress and anxiety over a period of months.

What happened

Mr T held a loan account and a current account with HSBC. He had a Direct Debit in place to collect the monthly loan payments from his current account at the beginning of each month. Mr T wanted to change the Direct Debit so that the loan payments would be collected from an external account instead of his HSBC account. He contacted HSBC in January and it sent him an email containing a link to the Direct Debit mandate form.

Mr T says he completed the form and sent it to HSBC by post on 20 January. But, at the beginning of February, the loan payment was collected from his HSBC account. Mr T contacted HSBC and gave instructions over the phone for the Direct Debit to be updated. He also raised a complaint. HSBC sent him another Direct Debit mandate form. Around two weeks later, it responded to his complaint by email. It said that the mandate hadn’t been updated on its systems due to a processing error on its part. It paid Mr T £100 as an apology for the inconvenience caused and sent him a further Direct Debit mandate. Mr T says he responded to HSBC’s email but didn’t receive a reply.

He says he also sent two completed mandate forms to HSBC by post in early February. But, at the beginning of March, the loan payment was collected from his HSBC account again, causing it to become overdrawn. This caused him a great deal of distress and anxiety and he had to put money into the account urgently. He contacted HSBC again.

HSBC responded a few days later. It said it hadn’t heard anything from Mr T after its February email and said it hadn’t received the Direct Debit mandate forms. During the email contact between Mr T and HSBC in March, Mr T attached a copy of the completed mandate form. HSBC said this was the first time it had received it.

On 8 March, HSBC told Mr T that it would arrange for the future loan payments to be collected from his external account and that he would receive confirmation of the change. It told him that any Direct Debits which fell due before he received this confirmation would be debited from his HSBC account.

At the beginning of April, the loan payment was collected from Mr T’s HSBC account, causing it to become overdrawn again. He contacted HSBC to complain. HSBC apologised and said there had been a bank error in the processing of the request. It said it would contact Mr T again when the Direct Debit was in place. On 12 April, HSBC confirmed that the Direct Debit was now set up to collect payments from his external account from May. It apologised for the delay in this being actioned and paid Mr T £100 as compensation.

But Mr T remained very unhappy about the situation and asked this service to look at his complaint. He said that HSBC had lied and been abusive towards him by purposely ignoring his instructions. He said it had refused to change his Direct Debit for three months in a row,

continuing to collect payments from his HSBC account and causing it to become overdrawn. He said this had forced him to spend time complaining and meant he couldn't close the account. He said that HSBC should pay funds into his account to clear the overdraft, clear his remaining loan balance of approximately £8,500 and compensate him for the great distress and anxiety he'd suffered, which had negatively affected his health.

Our Investigator didn't think HSBC needed to clear the loan balance or overdraft. But they thought it should pay Mr T £300 in total for the distress and inconvenience he experienced. Mr T agreed to this, believing he would receive a further £300. But, as HSBC had already paid £200 to Mr T, our Investigator was actually recommending that it pay a further £100. Mr T wasn't happy with that and asked for the complaint to be reviewed by 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.

Where the evidence is incomplete or inconclusive, as some of it is here, I've reached my decision on the balance of probabilities – that is, what I consider is most likely to have happened, in light of the evidence that is available and the wider surrounding circumstances.

It's agreed that Mr T first contacted HSBC in January about changing the Direct Debit. It's also agreed that the Direct Debit wasn't changed until mid-April. So, the first payment to be collected from the external account was the May payment. HSBC accepts that it made some mistakes here. But I don't think it's responsible for all the delay or distress which Mr T experienced. I'll explain why.

I'm satisfied that HSBC needed a completed mandate form before it could change the Direct Debit. I don't doubt that Mr T posted the form on 20 January. But I find that HSBC hadn't received it by the time the February payment was due. So, I don't think it did anything wrong by not changing the Direct Debit in time for that payment.

Mr T called HSBC on 2 February. HSBC accepts that its agent made a mistake during this call. It says that they followed the wrong process and incorrectly informed Mr T that his request could be processed on the basis of his verbal instruction. I think this delayed Mr T's instruction being implemented.

But I think this mistake was corrected in mid-February when HSBC responded to Mr T's complaint. It acknowledged the mistake and paid him £100. Mr T knew at this point that the Direct Debit still hadn't been changed, because HSBC sent him another copy of the mandate form to complete.

Mr T says he posted two completed forms to HSBC in early February. HSBC says it didn't receive them. I have no reason to doubt that Mr T posted the forms. But I don't think HSBC received them. HSBC needed the completed mandate form to change the Direct Debit. It didn't have the form. So, I don't think it did anything wrong by not changing the Direct Debit in time for the March payment. I can understand how frustrating this was for Mr T. But, from the evidence available, I can't conclude that HSBC is at fault for the non-receipt of the forms.

HSBC says the next it heard from Mr T was after the March payment had been collected. At that stage, Mr T provided a copy of the mandate form by email. I find that this was the first time HSBC received the completed form. I think it should have been able to change the Direct Debit in time for the April payment, but that didn't happen. HSBC accepted that Mr T's request wasn't actioned in a timely manner. It apologised and paid him a further £100.

I'm satisfied that Mr T's instructions have now been implemented and the May payment was collected from his other account. But Mr T doesn't think HSBC has done enough to acknowledge the impact of its mistakes. He says it had no intention of complying with his instructions and that it purposely ignored his requests. HSBC says that processing errors caused a delay in actioning Mr T's request. It says these were human errors and not deliberate attempts to ignore his instruction. I know Mr T feels very strongly about this, but I haven't seen anything which suggests HSBC deliberately ignored his instructions or intended to cause him any distress.

There was a series of unfortunate incidents, some of which were HSBC's fault and some of which weren't. HSBC couldn't act without the completed forms. But I think its communications with Mr T could have been clearer and it accepts that it caused delay. Mr T suffered distress and some inconvenience as a result and I think HSBC needs to pay him some compensation to reflect that.

I don't find that Mr T incurred any costs in relation to his account becoming overdrawn, so I don't think HSBC needs to do anything about that. And I'm not going to ask it to pay off his loan as I don't find that the loan account was impacted in any way.

Putting things right

I think a total of £300 would be a fair amount of compensation here. HSBC has already paid £200 to Mr T (£100 in February and £100 in April). So, I'm going to ask it to pay him a further £100 to bring the total compensation for the complaint to £300. I understand that HSBC may have already paid this additional £100 following our Investigator's view, in which case it won't need to do any more to comply with my award.

My final decision

For the reasons above, I uphold this complaint. If it hasn't already done so, HSBC UK Bank Plc should pay a further £100 to Mr T, to bring the total compensation for this complaint to £300.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 19 July 2023.

Katy Kidd
Ombudsman