

The complaint

Mr T complains about the actions of HSBC UK Bank Plc in relation to a balance transfer he instructed it to make using his credit card account.

What happened

In August 2022, Mr T applied for a balance transfer with HSBC for £2,000. HSBC made an error and processed the instruction twice. So, an extra £2,000 was sent to Mr T's other creditor, however it only debited Mr T's HSBC credit card account once.

HSBC recognised the error and wrote to Mr T in October 2022. It apologised and said it would debit Mr T's account for the extra £2,000 if it didn't receive a response from him within seven days. Mr T said he contacted HSBC upon receipt of the letter and was assured his account wouldn't be impacted. However, the account was debited soon afterwards, and Mr T incurred an overlimit fee as his balance was taken over the card limit.

Mr T was unhappy about this and complained to HSBC. He also said he had to explain matters on the phone multiple times to different advisers, there were long call-wait times, and he didn't receive a call back when he was promised one. Mr T also said he was being repeatedly chased by HSBC's collections team, despite making regular contact with HSBC about matters. He said this was causing him further stress.

HSBC reviewed matters and, in summary, said it had tried to recall the extra payment of £2,000 from Mr T's other creditor, but was unsuccessful. It told Mr T he would need to contact his other creditor and ask it to return the funds. HSBC also apologised that Mr T felt he was being chased but explained the collections team was contacting him because his card was over the limit. It acknowledged the length of time matters had been going on for and offered Mr T £100 compensation for this, and to cover his call costs.

Mr T remained unhappy and brought his complaint to this service. One of our investigators reviewed matters. In summary, she thought HSBC should remove the interest and charges Mr T incurred as a result of the £2,000 being debited again and remove any adverse information from his credit file. She thought HSBC should do this from the date the error occurred, to two weeks following her view being sent, to allow Mr T time to provide approval to his other creditor to return the funds to HSBC.

HSBC thought our investigator's opinion was fair, but Mr T didn't. In summary, he said it would leave him in a worse position on his account with the other creditor because there were no funds left to return. He also said he'd spoken with his other creditor who said it wouldn't return the payment, and that doing so would take him over that credit limit. He also outlined other solutions he thought would be fairer, including asking HSBC to increase his credit limit or asking it to accept a monthly payment plan for the balance. More recently, Mr T also said he'd received notice of default from HSBC.

As no agreement could be reached, the case was passed to me to decide. I issued a provisional decision where I said:

"I've considered all the available evidence and arguments to date to decide what I currently think is fair and reasonable in the circumstances of this complaint.

It's clear that HSBC made an error by duplicating the payment. I can also understand why Mr T might have been concerned to receive a letter explaining he had seven days to pay back the £2,000 in full, when he says he wasn't in a position to pay it at the time. And I can understand the stress and worry the matter would have caused him, given that this was a substantial amount of money HSBC was asking for in a short period of time.

That being said, I've also considered that the error was initially a relatively small one that took place in August. And, on balance, I think it's likely Mr T would have noticed the additional payment because, as outlined, this was a substantial amount of money that had been sent to his other card in error. So, I'm persuaded that Mr T could have taken steps to try and rectify the mistake around the time it happened, which would have limited the impact matters have since had on him.

I've kept all of the above in mind when thinking about a fair resolution in the circumstances. And whilst I'm persuaded Mr T could have done more at the time to mitigate the impact caused, the fact remains that HSBC made a mistake, and Mr T says he isn't in a position now to pay back the funds in the way HSBC has requested. He says he no longer has access to his account with his other creditor and further debt has accrued on it since the balance transfer was processed. Mr T also says that asking his other creditor to send the funds back would take his balance over the limit on his other card which would effectively be shifting the problem.

I acknowledge we don't have copies of Mr T's statements for his other card to verify this information. However, I've considered that HSBC told this service that the other creditor noted that there were insufficient funds in the account when HSBC tried to recall the payment initially. I've not been provided with anything to persuade me Mr T's situation has improved since and, on balance, I find that Mr T's testimony about his circumstances most likely accurate in that he doesn't have the money available to repay HSBC.

There isn't a straightforward solution to the issue at hand. Mr T borrowed money which he's had the benefit of, so I think it's fair he pays this back. That said, he's been clear about his current circumstances meaning that paying on demand would put him in a worse position. I've considered that HSBC did treat the second payment as a balance transfer, which means it won't incur interest for some months from now. However, the outstanding balance still exceeds the credit limit on the card.

In the absence of a clear and concise resolution to this matter, my provisional decision is to intend to require HSBC to rework the account as though the second payment never debited it, which will include refunding charges and associated interest, and removing any adverse information from Mr T's credit file. I'm also intending to direct HSBC to reset Mr T's credit limit to match the outstanding balance amount to prevent further charges moving forward. And, I think HSBC should reduce the credit limit as the outstanding balance reduces. When the promotional offer comes to an end, HSBC can start to apply contractual interest. And, to be clear, I think it's fair that Mr T continues to make minimum repayments towards the balance in line with his contractual agreement.

HSBC has already acknowledged the impact of the matter on Mr T and has offered to pay him £100 compensation for this. I'm satisfied this is fair and reasonable compensation in the overall circumstances of this complaint.

My provisional decision

My provisional decision is that I intend to direct HSBC UK Bank Plc to do the following, within 30 days of Mr T accepting my final decision:

- *Rework the account as if the second payment never debited it, which will include refunding all charges as a direct result of this, and any associated interest.*
- *Remove all adverse information as a result of this matter from Mr T's credit file.*
- *From the next statement production date, HSBC should have reset Mr T's credit limit to broadly the same as his current outstanding balance, to prevent further overlimit charges and adverse information on his credit file.*
- *HSBC should accept minimum payments from Mr T towards the balance and it should reduce the credit limit as the outstanding balance reduces.*
- *When the promotional balance transfer offer ends, HSBC can start to apply contractual interest to the entire balance, if it chooses to do so.*
- *HSBC should pay Mr T £100 compensation for the distress and inconvenience caused."*

Mr T responded to say, while he had some reservations, he thought my provisional decision was fair. HSBC didn't object to my provisional decision and, in summary, confirmed it was able to take the action I said needed to be taken.

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.

As Mr T and HSBC haven't objected to my provisional decision, I see no reason to depart from it. I will, however, briefly address some of Mr T's concerns about the redress.

Mr T is concerned HSBC will ask him to pay more than minimum payments, which he'll struggle to afford. As my provisional decision said "*HSBC should accept minimum payments from Mr T towards the balance*", I'm satisfied this has been covered. For completeness, minimum payments should be calculated as per the credit agreement.

Mr T says he was recently told the debt has been passed to a third-party debt collection company. This is a new development and it's unclear to me if this company is administering the debt on behalf of HSBC, or if it has purchased the debt. In either case, HSBC should ensure it does not prevent the steps (as set out in my provisional decision) necessary to resolve this complaint.

Therefore, in summary, HSBC should rework the account as though the second payment never debited it, which will include refunding charges and associated interest, and removing any adverse information from Mr T's credit file. I also direct HSBC to reset Mr T's credit limit to match the outstanding balance amount to prevent further charges moving forward. And

HSBC should reduce the credit limit as the outstanding balance reduces. When the promotional offer comes to an end, HSBC can start to apply contractual interest. And I think it's fair that Mr T continues to make minimum repayments towards the balance in line with his contractual agreement.

HSBC has already acknowledged the impact of the matter on Mr T and has offered to pay him £100 compensation for this. Having considered the impact of this matter, including the worry and concern it would have caused Mr T, I'm satisfied this is fair and reasonable compensation in the overall circumstances of this complaint.

My final decision

For the reasons explained above, my final decision is that I uphold this complaint and I direct HSBC UK Bank Plc to do the following, within 30 days of Mr T accepting my final decision:

- Rework the account as if the second payment never debited it, which will include refunding all charges as a direct result of this, and any associated interest.
- Remove all adverse information as a result of this matter from Mr T's credit file.
- From the next statement production date, HSBC should have reset Mr T's credit limit to broadly the same as his current outstanding balance, to prevent further overlimit charges and adverse information on his credit file.
- HSBC should accept minimum payments from Mr T towards the balance and it should reduce the credit limit as the outstanding balance reduces.
- When the promotional balance transfer offer ends, HSBC can start to apply contractual interest to the entire balance, if it chooses to do so.
- HSBC should pay Mr T £100 compensation for the distress and inconvenience caused.

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.

Hana Yousef
Ombudsman