



The complaint

Mr N complains that HSBC UK Bank Plc switched his account from his existing third-party bank without his permission.

What happened

Mr N applied for a student account with HSBC in 2021 and during that application, asked for his account to be switched from his existing account with a third-party bank, who I'll call 'S'. At that time, Mr N's application was declined as his credit score was not high enough to obtain the student account.

Mr N made another application for an HSBC student account in January 2022, but this time did not opt to switch from his account with S. Mr N's application was again rejected by HSBC due to his credit score not being high enough for the student account. However, they did ask Mr N in their reply if he would be interested in opening a basic account instead. And he accepted this.

HSBC sent Mr N a letter confirming the opening of his new account and within this it mentioned that the account would be switched over from his existing account with S. However, Mr N did not realise this until a few days before the switching date and when he contacted HSBC about it, they confirmed it was too late as the switch date was too close and they could not stop the process.

Mr N raised a complaint as he had not requested for the switch to be made and his account with S was his longest running account, with an overdraft facility of £1,000 on it. He felt it's closure would negatively affect his credit score and he asked for the switch to be reversed. HSBC issued a final response letter in which they confirmed the switch could not be stopped as Mr N had made the request too late.

Mr N referred the complaint to our service and our Investigator looked into it. They agreed that HSBC had made an error when it switched the account from S and tried to mediate a reversal of the switch. However, HSBC stated this was not possible. As a result, the Investigator recommended compensation totaling £500 for the distress and inconvenience the matter had caused Mr N. And they said that if Mr N could show his credit file had been negatively affected by the matter, HSBC should write to the credit referencing agencies to rectify this. However, it has since been explained to Mr N that HSBC is unable to amend his credit file in relation to the closed account with S.

Mr N disagreed with the recommendation. He felt compensation in the region of £1,000 was more reasonable and he wanted a new account with S to be opened with no searches appearing on his credit file, and for his credit file to be amended so his score was not affected by this incident.

As an informal agreement could not be reached, the complaint has been passed to me for a final decision.

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, I think the £500 compensation recommended is fair and is in line with what I would have recommended in the circumstances. I'll explain why in more detail.

HSBC says that it does not agree with the outcome reached by the Investigator, but it has agreed to the recommendation as a gesture of goodwill, to bring the matter to a close.

In summary, I do agree that HSBC made an error in the circumstances when they switched Mr N's account from his third-party account. While they did make Mr N aware that the account was switching via letter and text, Mr N was not expecting the account to be switched as he had not requested it. So I can understand why he would not pay much attention to the account opening communications. I can see when he did realise, it was already too late as it was too close to the switching date. As a result, I do agree that HSBC needs to make steps to remedy the complaint.

My role is to try and put Mr N back, as near as possible, to the position he would've been in, had it not been for any shortcomings on HSBC's part. Which in this case would be the re-opening of his account with S. However, HSBC has made it clear that it is not physically possible to reverse the switch, so they are unable to facilitate the re-opening of the account with S. Mr N has asked for the account with S to be re-opened with no hard or soft searches appearing on his credit file. However, that is not possible and Mr N will need to re-apply for the account via the usual process, but this will be subject to credit checks.

Mr N has also asked for HSBC to write to the credit referencing agencies and amend his credit file so that this issue does not negatively affect him. He has pointed out that the account he held with S was his longest standing account, so he feels its closure has negatively affected his credit score. However, the only way Mr N's credit file could be amended is if the account with S was reinstated, which HSBC has explained it is unable to do. Because of this, it is not possible to amend Mr N's credit file to the way it was before the account with S was closed. Though Mr N is able to add a note to his credit file explaining what has happened.

With the above in mind, the only action HSBC is able to take is to pay Mr N compensation in recognition of the distress and inconvenience the issue has caused him. I'm aware that Mr N feels the £500 recommended so far is not enough. Compensation is subjective and what might feel like enough to one person may not feel sufficient to another. Considering the impact the issue has had on Mr N, I do feel the £500 recommended is in line with what I would have suggested in the circumstances. And I feel this fairly compensates Mr N for the trouble and upset the situation has caused him.

My final decision

I direct HSBC UK Bank Plc to pay Mr N £500 compensation for the distress and inconvenience the issue has caused him,

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 11 August 2023.

Rebecca Norris
Ombudsman