

The complaint

Mr N complains that HSBC UK Bank Plc unfairly applied fees and a missed payment marker to his credit file in relation to a credit card account he holds with the bank.

What happened

Mr N was going on holiday. He received his July electronic statement from HSBC and made a payment the same day, as he was going to be away. However, the statement billing period didn't start until the following day, so Mr N's payment was applied against the amount due in the June/July billing period. Because no payment was received during the July/August billing period, HSBC applied a late payment fee of £12 and recorded a missed payment on Mr N's credit file.

After Mr N referred his complaint to us, HSBC offered to refund the late payment fee and remove the missed payment. It also offered to pay him £50 compensation. Our investigator thought the bank's offer was a fair way to resolve matters. Mr N hasn't accepted it. He says he was put to unnecessary inconvenience and concern. He also considers HSBC is remiss in not warning customers that they will be penalised for early payment.

Because Mr N didn't accept the investigator's conclusions, the matter has been passed to me for review.

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 can understand Mr N is upset at being charged when he was doing what he thought was the right thing. It seems to me this was an unfortunate set of circumstances in which Mr N wasn't knowingly paying an additional sum during the June/July billing period. It was reasonable to think that having received the electronic statement, any payment he then made would be applied against the July/August billing period.

I don't think this is a case of HSBC seeking to penalise customers for paying early, as Mr N has suggested. From what I can see, it arose simply because the electronic statement appears on the HSBC banking app the day before the actual statement is issued. I'm pleased to see the bank recognise how the situation arose, and in the circumstances at play here, it's reasonable that it refunds the charge and removes the missed payment from Mr N's credit file. In addition to this HSBC offered to pay Mr N £50, which noting what he's said about his trouble and upset seems to me a reasonable sum.

I appreciate Mr N feels that part of the problem is due to the lack of a warning on the account statements about the consequences of early payment. However, I wouldn't expect a firm to issue such a warning as a matter of course. The terms and conditions of Mr N's credit card set out when payments are due, along with the requirement to make at least the minimum payment during each billing period.

I don't consider that paying more than the minimum payment should lead to an assumption that any excess sum would be applied against the next month's payment due. It is of course applied to the account balance, thus reducing any interest that might otherwise have been applicable. But I can't properly describe what happened as being a penalty.

I'm conscious that the Financial Conduct Authority's Consumer Duty came into force at the end of July 2023, and that while not retrospective, it straddles the period between Mr N's payment and the point at which his minimum payment fell due in August. So it has some relevance to the argument Mr N seeks to make about the wording on future statements, even if it wasn't in force at the time his July/August statement was issued.

The Consumer Duty includes a requirement that firms ensure their communications meet the information needs of their customers and are likely to be understood by customers. The bank's monthly statements tell customers when their payments are due, how to make payment, how payments are applied to their account and what the consequences will be if they fail to make payment as shown. Consumer Duty requirements will of course be something that the bank takes into consideration when deciding how it sets out payment information to its customers in future.

It might also be worth HSBC considering whether the timing difference between the electronic statement on its app and the account statement proper has the potential to cause other customers the problem Mr N experienced. If so, I'd expect HSBC to consider any steps it can take to reduce this risk.

Notwithstanding the above, having considered matters overall I'm satisfied with the actions HSBC has proposed to resolve Mr N's complaint.

My final decision

HSBC UK Bank Plc has already made an offer to refund the £12 fee, amend Mr N's credit file, and pay £50 to settle the complaint. I think this offer is fair in all the circumstances. So my decision is that this is what HSBC UK Bank Plc must do to settle the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 4 December 2023.

Niall Taylor
Ombudsman