

The complaint

Mr N complains that HSBC UK Bank Plc unfairly charged him interest and a late payment fee, and recorded adverse information against his credit file, following what they considered to be a missed payment.

What happened

Mr N holds a credit card with HSBC. Like most credit cards, a statement is produced monthly that sets out the expenses accrued in the previous month; and shows, amongst other things, the balance of the credit card account, along with the minimum payment due and the date by which it needs to be paid.

In December 2023, Mr N received his monthly statement, and on the same day, made a payment to HSBC for £500. However, soon after, he received a letter from HSBC, telling him he'd not made his payment for the month in question, and, as a result, that he may be charged a late payment fee, and his credit score could be impacted. Unhappy with this, Mr N complained. He also thought that he shouldn't have been charged interest on his balance that month, and was unhappy with the overall service HSBC provided.

HSBC responded to Mr N's complaint. They said that the statement was produced on 21 December 2023, but because Mr N made his payment on the same day, it was credited towards the previous month's billing cycle. They explained that in order for the payment to reflect for the coming month, it needed to be paid anywhere from at least one day after the statement was produced, up until the payment due date. They agreed however, to refund the late payment fee of £12 as a good will gesture, but they said that interest would still be charged on the account, as the full balance of the card hadn't been cleared. Mr N remained unhappy, so he brought his complaint to our service.

Once the complaint reached us, HSBC, in addition to agreeing to refund the late payment fee, also said they could see that Mr N had intended to make the payment for the December – January period. So, in addition, they agreed to remove any adverse information in relation to what they had previously deemed a missed payment. They also agreed to compensate Mr N £100 for any distress this matter had caused.

An investigator considered the complaint, and was satisfied that Mr N had attempted to make the payment for the correct month. But he felt that HSBC's offer to put things right was a fair outcome for Mr N in the circumstances. Mr N remained unhappy however, so the case has been 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.

Looking first at the issue of the date of payment. Mr N's credit card statement was produced on 21 December 2023, and Mr N made a payment for £500 that same day, which was more

than the minimum payment due. HSBC have pointed out that the payment Mr N made, should have been made at least one day after the statement was produced. While this is not uncommon, equally, from the evidence provided, I cannot see that this was made clear to Mr N on his monthly statements.

It's no longer in dispute that Mr N was attempting to make a payment in connection with the statement issued in December 2023 – Mr N has himself told us this, and HSBC have accepted this was the case. HSBC have also agreed to refund the late payment fee and not record the payment as late with the credit reference agencies. This means that Mr N's credit file should now reflect the position it would have, had the payment been made within the date ranges HSBC have advised. So, what remains to be decided, is whether or not it was fair for HSBC to have charged Mr N interest for that month, and whether the compensation they agreed in respect of the distress this matter caused, was reasonable.

Looking first at the matter of interest, it's not clear whether or not HSBC have done anything wrong in this regard. The terms of Mr N's credit card set out how and when interest is applied. Details of this are also included on Mr N's monthly statement. Amongst other things, the statements show that interest is charged daily on the outstanding balance, which means that the amount of interest will increase the longer the payment is delayed. So as Mr N hadn't paid off his card balance in full, it's likely that interest would still be applied to the outstanding balance.

What's less clear, is whether or not the payment initially being recorded as missed for the month in question had a negative impact on Mr N – with him being charged more interest; or, with the adverse information now being removed, whether Mr N has had the benefit of the payment crediting his account a day earlier than it would have normally been allowed – resulting in being charged less interest. Given the confusion with the payment dates, and it not being brought to Mr N's attention that he couldn't make payment on the same day the statement was produced; I think HSBC should rework Mr N's account so the account balance reflects what it would have, had the payment credited Mr N's account the day after the statement was produced.

Finally – looking at the overall service provided, Mr N had been treated as though his payment had been made late, when in fact it seems it hadn't. He also had issues with his card declining, albeit HSBC subsequently rectified this when he raised the issue with them. But I think it's likely the above would have caused some embarrassment and distress for N. That being said, HSBC have been understanding in their communications, and have agreed to compensate Mr N with £100 as a gesture of good will, in addition to putting the account back in the position it would have been, by refunding the late payment fees and removing any adverse information from Mr N's credit file. While I appreciate this is less than Mr N was hoping for, on balance, I think this is a reasonable offer, and in line with the level of compensation I would have awarded in similar scenarios.

Mr N also raised concerns about whether or not the same may have happened with his January payment. But from the evidence provided by HSBC, it seems that that the payment made for this month reached them four days after the statement was produced, so it would seem that the payments were credited correctly.

My final decision

My final decision is that I uphold Mr N's complaint. If they haven't already, HSBC should:

- remove any adverse information from Mr N's credit file in relation to the December 2023 payment initially being considered as late;

- remove any late payment fees charged in respect of the above payment;
- rework Mr N's account, so that his balance reflects the position it would have, had he made the payment the day after the December 2023 statement was produced;
- pay Mr N £100 in compensation for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 10 July 2024.

Brad McIlquham
Ombudsman