

The complaint

Mr J complains that HSBC UK Bank Plc allowed him to exceed his credit limit.

What happened

In November 2023, despite being close to his credit limit, Mr J was able to use his HSBC credit card for several large transactions. He ultimately exceeded his credit limit by around £3,700.

Mr J complained to HSBC; specifically, he said the bank should never have allowed him to exceed his credit limit to such an extent. Mr J added that he was now in a position of financial difficulty and that he'd been caused significant distress.

HSBC issued its final response on 24 November 2023. In it, the bank said that some transactions will be allowed to go through – even if the balance is close to the credit limit. HSBC also told Mr J to contact its financial support team.

Mr J remained unhappy, so he referred his complaint to this Service for an independent review.

An Investigator here looked at what had happened and, overall, he didn't think HSBC had acted fairly. In summary, he said:

- There wasn't enough persuasive evidence to suggest that HSBC's actions were the sole reason Mr J had missed payments with other creditors.
- That said, HSBC shouldn't have allowed Mr J to run up such a significant balance above his credit limit.
- Mr J had incurred detriment as a result of interest, and any charges, which had been accrued because of the inflated balance.
- HSBC's reasoning for allowing the payments to go through – which was to avoid any embarrassment or inconvenience for Mr J – wasn't strong enough to warrant such action.
- To put things right, HSBC shouldn't charge any interest and/or fees on the over-limit balance; it should remove any adverse information recorded on Mr J's credit file as a result of the over-limit balance, and it should pay Mr J £200 for the distress caused.
- Lastly, HSBC should work with Mr J to agree an affordable repayment plan.

HSBC accepted our Investigator's findings. Mr J, though, disagreed. He felt the compensation amount should be increased. As no agreement has been reached the complaint has now 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.

First, I'll say that I've not commented on each and every point Mr J has raised. Instead, I've focussed on what I consider to be the key points I need to think about. I don't mean any discourtesy about this; it simply reflects the informal nature of our Service. I assure Mr J, however, that I have read and considered everything he's provided.

It's no longer disputed that HSBC wrongly allowed Mr J to exceed his credit limit. The bank has accepted as much, and it's agreed to settle the complaint just as our Investigator outlined in his assessment.

For the avoidance of doubt, I agree that HSBC acted unreasonably in the circumstances here. My view is that HSBC shouldn't have allowed Mr J to exceed his credit limit to such an extent, and its rationale for doing so simply isn't robust enough.

Mr J states he missed repayments to other creditors because HSBC took an increased minimum payment after his over-spending. But the evidence he's provided suggests that following his over-spending, the minimum payment taken by the bank was quickly returned.

I've considered that there may have been a small window of time, whereby HSBC had taken payment, but the money hadn't yet returned. It's feasible that payments within that window, to other creditors, could've been missed. If that were the case, though, at the point HSBC returned Mr J's payment, I would've expected him to have then been able to pay other creditors. But from what he's said, it appears that's something he couldn't do *at all* at the time – seemingly even with the money taken by HSBC being returned to him. So overall, based on the evidence I have, it doesn't seem that a payment made to HSBC, which was then returned, was definitively the sole reason that Mr J missed repayments to other creditors.

With all of that in mind, I think the only matter left to determine here is whether HSBC has now done enough to put things right. Mr J doesn't think it has. He's explained he's disappointed by the compensation amount, and he believes that figure to "make light" of the distress caused to him.

While I can understand Mr J's perspective, my view is that HSBC has now agreed to do enough to resolve things fairly. I say that because I think it's surely right that HSBC doesn't apply any interest, fees or charges to the over-limit amount. Moreover, it's surely right too that the bank removes any adverse information recorded on Mr J's credit file, which was applied as a direct consequence of that over-limit spending. I also think it's right that HSBC works with Mr J to agree an affordable repayment plan to help him repay the over-limit spending. All of which, as I understand it, the bank has agreed to do.

Matters of monetary compensation, more broadly, can be subjective; an amount considered to be fair and reasonable by one person may not be considered as such by someone else. On reflection, while I certainly don't intend to play down or, to borrow Mr J's phrase, make light of the worry he was caused; I find that, in the circumstances, £200 is a reasonable amount of monetary compensation to reflect the impact of this matter.

Overall, I'm satisfied that the solution HSBC has agreed to here – incorporating £200 compensation, and everything else I've described above – is a fair way to put things right. So, that's what I require HSBC to do.

My final decision

My final decision is that I uphold Mr J's complaint. HSBC UK Bank Plc should:

- Ensure that interest, fees and/or charges haven't been applied to Mr J's over-limit balance.
- Remove any adverse information it may have recorded, as a result of the over-limit balance, from Mr J's credit file.
- Pay Mr J £200 compensation for the distress and inconvenience caused.
- Work with Mr J to arrange an affordable repayment plan for the over-limit balance.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 16 May 2024.

Simon Louth
Ombudsman