

The complaint

Mrs K complains about an HSBC UK Bank Plc mistake when they didn't pay her standing order.

What happened

In April 2023, Mrs K used her HSBC debit card to book two tickets with Airline A for a total of £1,495.62.

Airline A's procedure is to seek authorisation before applying the payment. But, when making the payment on 24 April 2023, Airline A processed each ticket separately and applied two payments of £747.81. This resulted in the payment not matching the authorisation and remaining active, and the automatic 'drop off' process didn't occur, even though the payment for the tickets had been taken from Mrs K's account.

As a result of this HSBC didn't pay (and reversed) one of Mrs K's standing orders on 25 April 2023. Mrs K complained about this to HSBC as her standing order should've been paid. HSBC didn't uphold her complaint. They said they hadn't made an error as airline card transactions work differently, and the authorisations for payments can remain outstanding for a longer period.

Mrs K brought her complaint to our service, but our investigator couldn't see that HSBC had made an error.

As Mrs K remains dissatisfied, this case has now been referred to me to look at.

I issued two provisional decisions.

Here is an extract of what I said in my [first provisional decision](#), on 7 March 2024:

It's clear that:

- *The cause of the issue here is Airline A authorising one amount but processing two payments*
- *Had Airline A processed one payment the authorisation would have ordinarily dropped off Mrs K's account*
- *HSBC rely on automation to remove the authorisation providing the authorisation matches up with the payment*

So, I can understand HSBC saying the non-payment of Mrs K's standing order wasn't their fault.

But the following information on file shows that HSBC are aware of this type of issue:

- A. *'Certain transactions may be processed slightly differently, including those to airlines'*
- B. *'The initial authorisation may remain outstanding for longer than it takes for the debits to be applied to your account'*

Although Mrs K recognises Airline A's process was unusual, she thinks she hasn't been treated fairly because she hasn't been made aware of either A or B. Also, she thinks HSBC should've noticed the issue before they took the step of reversing her standing order.

Whilst I understand HSBC using automation and I can't tell them to either modify their processes or send out communications to their customers, I don't think they've treated Mrs K fairly here.

I say this because I can't see any evidence on file of HSBC informing their customers of this potential issue and due to this and the fact that they had an instruction to execute Mrs K's standing order, I would've expected them to have taken greater care before reversing it.

HSBC have sent evidence of the following sms alert they sent to Mrs K on 25 April 2023 saying:

'Some DD / SO may be reversed without sufficient funds available balance'

However, whilst HSBC may also use automation to reverse standing orders, bearing in mind Mrs K's instruction and their knowledge on initial authorisation including airlines, I would've expected them to have also completed a check on Mrs K's account before processing a reversal. Had they done so, they would've quickly noticed Mrs K had sufficient funds in her account as the two Airline A transactions equated to the authorisation amount.

Having considered the above and all the information on file, I currently think HSBC should've done more here and my provisional decision is to uphold this complaint. So, I think HSBC should pay redress to Mrs K for the inconvenience and upset caused.

Assessing compensation isn't an exact science and our approach when making awards for non-financial loss is detailed on our website and tends to be modest.

When considering our guidance together with the current information about the impact upon Mrs K, I require HSBC to pay Mrs K £50 compensation.

Here is an extract of what I said in my second provisional decision, on 9 April 2024:

I would like to thank both parties for responding before the deadline.

Mrs K said:

- 'Whilst there is a place for automation, automated decision making cannot be relied upon to execute functions without human interference especially when there are known 'glitches' in the system'.*
- She recently purchased flight tickets with another airline and although the flights were collected separately there was no 'hangover effect'. 'So not all banks rely on the defence supplied by HSBC'.*

HSBC said:

- Their 'Process is to identify if there are available funds in the account on the day a standing order is debiting. Mrs K didn't have sufficient funds in her account as evidenced in our original FOS Assessment. What we did do was alert Mrs K there may be a problem paying items from her account and we would expect her to then act on this. This additional check you feel we should have done is indicating our process should be modified in some way'.*

- *'As well as the alert that Mrs K had set up, an automated letter was issued when the item was returned. I have attached a copy of this. A digital copy of this was sent to the customer meaning she was not at the mercy of receiving this via post, however we have no record of any contact from her until 13 days after the payment was due to be made. If Mrs K had acted on this there would have been little to no impact to her'.*
- *'Our stance remains unchanged there hasn't been any bank error and would ask you to consider the above before issuing your final decision'.*

So, with the above comments and new information in mind, I again considered whether HSBC acted unfairly or unreasonably by stopping Mrs K's standing order.

HSBC say Mrs K didn't have sufficient funds in her account, but I think it's more a case of their automated process failing to identify that she did.

I appreciate there is an issue in the way Airline A process payments, and it isn't for me to tell HSBC to adapt their processes. But, as mentioned above, HSBC are aware of this type of airline issue so, before stopping payments, I think they should exercise care to ensure customers are aware of a potential issue and / or don't suffer a detriment.

With regards to making Mrs K aware of this airline payment issue, I can't see that this was the case. However, HSBC have highlighted that they acted responsibly making Mrs K aware of an issue with the standing order payment. In their latest response, they say Mrs K had set herself up to receive text alerts and, in addition to acting upon this, they digitally sent an automated letter.

Although HSBC didn't complete a manual check before processing a reversal and Mrs K wasn't aware of a problem with her standing order until 8 May 2023, there is evidence HSBC sent both communications. So, it appears that these were either not received or missed. I don't have any information on the impact of HSBC stopping Mrs K's standing order, but I think more than one communication from HSBC should've been sufficient to enable Mrs K to contact HSBC. And if contact had been made, I think the airline payments would've been highlighted, the standing order reinstated, or an alternative payment made.

So, having considered the latest responses I'm revising my provisional decision and I'm not upholding this complaint.

My provisional decision

For the reasons I've given above, it's my provisional decision not to uphold this complaint.

I'll look at anything else anyone wants to give me – so long as I get it before 23 April 2024.

Unless that information changes my mind, my final decision is likely to be as I've set out above.

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.

Both parties responded to my second provisional decision.

HSBC said, and provided evidence, that:

- *'On the day in question an automated check was made against the available funds in the*

account. This check confirmed the projected available balance in the account if the standing order was paid as £1187.67DR which the account didn't have an overdraft limit to support. Had the customer attempted any other type of transaction such as a card payment or an online bank transfer for a similar amount it is likely these would have been declined due to insufficient funds in the account'.

Mrs K expressed dissatisfaction and the following were included in her points:

- She didn't understand on what basis I reversed my first provisional decision.
- She said she *'had never raised 'communication' from the HSBC as a factor in my complaint and fail to see why this has been presented. Irrespective of this, no communication from them would have altered the outcome: the Airline A payment was taken out on 24th April and the Standing order was due for payment on the 25th April, yet my account was in credit:*
- *'HSBC's response remains inaccurate and fails to explain their actions'.*
- *'HSBC maintain that on 25th April there were insufficient funds in my account to cover the £2000 standing order (SO). My position is that there were sufficient funds available (£2,307.95*) on that day'*
- She maintains, *'that my account held sufficient funds on the SO's due date which would have been evident if my account had had sufficient and expected rigor applied to checking before reversing any SO'.*
- She questions *'why did the HSBC take it upon themselves to make the SO payment, then reverse this later on the same day, when the Airline A flights had been paid in full the day previously?'*
- And says, *'This is the nature of my complaint. I have not received an explanation why the reversal was made and my position is that sufficient checking of my accounts and manually calculating that two individual flights equated exactly to the single amount should have been clear for someone to see. I fail to see why the HSBC are using 'communication' in their defence and instead incorrectly stating I did not have sufficient funds'.*

So, I considered all of the above and all the information on file before making a final decision.

I should first point out that all our decisions are automatically anonymised.

I don't think it's unreasonable for transactions to be held as 'pending' and, without Airline A processing two transactions, these ordinarily would've been matched avoiding any issue with either a new payment or standing order.

HSBC don't have either an automated or manual checking process to spot separate payments when processed by airlines. I recognise that if they did, Mrs K's balance would've been sufficient to allow her standing order to be paid and she wouldn't have been inconvenienced. Also, she wouldn't have had a loss of confidence in HSBC.

In my first provisional decision, I thought HSBC should've done more to spot the airline payment was no longer 'pending' and therefore Mrs K's inconvenience and loss of confidence could've been avoided. I said this because HSBC were aware of the way Airline A sometimes process payments and I understood Mrs K's point that she *'should have been made aware of this in order to appropriately prepare my account'*. Also, I thought HSBC could've spotted this when rejecting the standing order.

However, upon reconsideration, I could see that HSBC did take steps to alert Mrs K to a balance issue (caused by the 'pending' transaction) and this would've given her the

opportunity to either point out that the funds had already been taken or to take other steps to prevent her standing order from not being paid.

I recognise the following:

- Mrs K's point that other banks have addressed this 'hangover effect'
- Had it not been for this 'hangover effect' Mrs K's balance was sufficient to pay her standing order
- HSBC say they were following their processes and didn't make an error
- HSBC have commercial and resource considerations and are entitled not to change their procedures, processes or systems for anomalies
- I can't tell HSBC to make modifications including communications (on airline payments). This is because we aren't the regulator of financial services.

And I fully understand Mrs K's frustration and disappointment here.

However, I think the alert and automated letter HSBC sent to her digitally on 25 April 2023 was reasonable in the circumstances to prevent a standing order being rejected and the resulting inconvenience. The alert and letter would've given Mrs K the opportunity to contact HSBC, query the 'pending' transaction and her balance and discuss payment of the standing order.

So, for the reasons mentioned above and in my second provisional decision, I'm not upholding this complaint.

My final decision

My final decision is that I'm not upholding this complaint against HSBC UK Bank Plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K to accept or reject my decision before 3 June 2024.

Paul Douglas
Ombudsman