

The complaint

Mr J is unhappy that HSBC Bank UK Plc deducted a pre-authorisation amount of £120 from his account when he spent significantly less on fuel.

What happened

In January 2024, Mr J made a pay at pump purchase of fuel amounting to £39.85. He explained that he received alerts on his phone that £120 had been debited as well as £39.85.

Mr J said that he was confused about how funds had been taken from the account without his authorisation. He explained that he checked his accounts online and saw that only £38.95 had been charged.

He also queried this with the petrol station and was told that this was due to a new policy introduced by some banks to ensure there's £120 available in the account being used to pay. He was also told that the funds would be returned to the account within three days.

Unhappy with this, Mr J complained to HSBC as he felt the money had been removed from the account without his authorisation. He asked them to explain why the policy had been introduced and how it was communicated to customers. He questioned why it was necessary to show a deduction of £120 against his account, and why wasn't he sent a further alert to show the reversal of the deduction. He also felt that three days was far too long for funds to be restored when they're taken instantly.

HSBC explained that changes were made in September 2022 due to industry requirements set out by Visa and Mastercard which means that when pay at pump is used, an authorisation of up to £120 will be placed on the card. They said since this wasn't a policy put in place by them, there wasn't any requirement for them to communicate this with Mr J. They said it was up to the retailer to inform Mr J before he used their services.

They explained that they send an alert for the larger authorisation amount as it's a true reflection of the transactions made on the account. They said that they don't notify customers when the authorisation has been reversed as it wasn't a service they provide, but it may be something they look into for the future.

They said that when Mr J had entered into a purchase agreement with the petrol station, he agreed to their policy which was to place a larger authorisation on his account. They explained that the authorisations can take up to three days to be removed but it usually drops off within 24 hours.

Unhappy with this, Mr J referred his complaint to our service. Our investigator said that the policy was implemented by Visa and Mastercard and didn't find it was HSBC's responsibility to communicate this. She didn't think HSBC had treated Mr J unfairly as he was only charged the actual amount spent and the remainder of any reserved funds were released back to his available balance without any delays.

She also explained that there's usually a notice at the pump which confirmed that the retailer will put through a pre-authorisation transaction amount on the card. Whilst she couldn't confirm that this notice was present at the petrol station that Mr J visited, she felt the absence of such warning wasn't HSBC's responsibility. She was satisfied that Mr J had authorised the transaction by entering his Personal Identification Number at the pay at pump.

Mr J disagreed and asked for an ombudsman to make a final decision. He said that the money taken from the account wasn't authorised by him. He felt that HSBC have a contract with Visa and Mastercard so can't claim they have no responsibility to either consult or communicate this policy to their customers. He queried who decided the timescale of up to three days to restore the £120. He felt that the financial services industry was passing the buck and protecting each other.

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.

Pay at pump is a technology which offers customers an alternative way to pay for fuel without going into the petrol station kiosk or shop. Under new industry requirements introduced by Visa and Mastercard, a payment amount of up to £120, depending on the retailer, must be pre-authorised before any fuel is dispensed to ensure that the customer has sufficient funds in their account to cover the cost of the fuel.

I understand this change was introduced to help make it easier for customers to keep an eye on their finances. In the past, when customers used a self-service pump to purchase fuel, the exact cost would only show up against their account balance one or two days after filling up. This sometimes made it harder for customers to track their daily spend.

I appreciate Mr J is unhappy with this policy as he feels it treats all customers as potential criminals and had asked for the policy to be withdrawn. He also objects to not being consulted over this policy. But it's important for me to make it clear that as an informal service, it isn't my role to comment on the effectiveness of the policy or indeed recommend that it be changed or withdrawn.

As explained, this policy was introduced by Visa and Mastercard, so I can't fairly say HSBC should've consulted with Mr J. Whilst it would've been helpful for HSBC to have informed its customers about the changes to pay at pump transactions and what to expect, I'm satisfied there wasn't an obligation or requirement for them to do so.

HSBC's role in these transactions is to process the pre-authorised amount and then free up any unused funds from the account balance after the purchase is completed. I'm satisfied that's what has happened in Mr J's case, as HSBC has confirmed that the pre-authorisation of £120 was returned to Mr J's account the same day. Mr J has also confirmed that his online accounts only showed a debit of £39.85.

Mr J feels that up to three days is too long for the pre-authorisation to be returned. I can't comment on other cases or future transactions. But generally speaking, under the new policy, as soon as the customer has finished filling up, the pump should immediately notify the bank of the actual value of the petrol purchased allowing the bank to update the balance in real time.

So, in most cases, there shouldn't be delays in returning the pre-authorised amount. In this case, as mentioned already, there were no delays in the pre-authorised amount being

returned to Mr J's account.

Mr J says that he didn't authorise £120 to be removed from his account. But I'm satisfied that by completing the purchase of fuel using the pay at pump technology, Mr J agreed to the policy of the petrol station he used to temporarily reserve £120.

I accept it would've been confusing and worrying for Mr J when he saw alerts that £120 had been debited from his account as well as £39.85, particularly since he's told us that the pump he used didn't provide him a receipt.

It's up to the petrol station Mr J used to purchase fuel to include a notice or warning at the point of purchase to make him aware that a pre-authorisation amount will be put through on his card. But I can't fairly hold HSBC responsible for the absence of this warning. As explained, HSBC correctly processed the pre-authorisation amount of £120.

I'm also satisfied that HSBC didn't do anything wrong in sending Mr J an alert to show that £120 had been removed from his available balance – as this was the accurate status of the funds which were available in his account at the time.

HSBC didn't send Mr J a notification about the reversal. They've explained that this isn't currently a service they provide but maybe something which they might look into for the future. I can't tell HSBC to change their policies or systems, this includes asking them to send alerts when a payment is reversed, but I hope they take into account the suggestion Mr J has provided. In the meantime, Mr J has other ways of keeping track of the balance and expenses on the account, such as by checking his account online or by telephone.

Mr J has expressed concerns about situations when the account balance might be less than £120 which could mean his account balance might drop into a deficit for up to three days. It may be of some assurance for Mr J to know that if the account balance is below £120, this is communicated by the bank to the fuel pump enabling the pump to dispense fuel up to the amount available within the account.

I know Mr J feels very strongly about this policy and will be disappointed with my decision. But Mr J may wish to consider paying at the petrol station kiosk or shop instead of at the pump going forward to avoid funds of up to £120 temporarily being reserved from his account.

My final decision

For the reasons explained above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 25 July 2024.

Ash Weedon
Ombudsman