

The complaint

Mr M has complained that HSBC UK Bank Plc closed his credit card account without telling him.

What happened

In December 2023, Mr M contacted HSBC to ask it to reissue his credit card, and was told this was being processed. However, he later discovered that his account had actually been closed, due to account inactivity. This was because he hadn't used his account since his previous card expired in November 2022, so it had fallen dormant.

One of our investigators looked into what had happened. She noted that the account terms and conditions state that HSBC must notify a customer two months before an account is closed. HSBC couldn't show it had done this, so accepted it had made an error. Unfortunately, because of the passage of time, it can't now reinstate the account. So, to put things right, it's offered to:

- ensure that if Mr M reapplies for another account (subject to him clearing the outstanding balance on the closed account), it will ensure the search doesn't appear on his credit file;
- not charge any interest on the outstanding balance; and
- pay him £200 compensation for the distress and inconvenience caused.

Our investigator felt this was fair, so didn't think HSBC needed to do anything further.

Although she appreciated that repaying the balance first would be an added inconvenience, she didn't think it would be reasonable to tell HSBC to open a new credit facility with this balance outstanding.

Mr M disagreed. He feels that HSBC's failure to follow its own process has put him in a difficult position. He feels a fairer outcome would be to waive the outstanding balance, or pay a higher amount of compensation.

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, and despite my sympathy for the position Mr M is in, I'm not upholding it. This is for the same reasons as given by our investigator.

HSBC has accepted that it made an error in not notifying Mr M about the closure in advance. Unfortunately, this can't now be changed. So, I've considered how things can be put right, as far as is possible. I agree it's right that, if Mr M applies for another card, this shouldn't appear on his credit file – given that he wouldn't need to apply, had he known the account would be

closed. But I also think it's fair that he repay the outstanding balance first, as it wouldn't be reasonable to require HSBC to provide a further credit facility, with an outstanding balance on a previous one. I can also see HSBC has said it hasn't charged interest on the outstanding balance, and I agree this is fair.

I'm mindful that Mr M feels the balance should be waived. But, I don't agree, as he's had the benefit of the money, so should reasonably pay it back. I've also considered whether the compensation should be increased. Awards for distress and inconvenience aren't an exact science. But, I think £200 is a significant sum, and in line with what I'd have awarded.

Finally, I'm aware that Mr M has said that it was HSBC's fault that the account fell dormant. As our investigator has explained, he may be able to raise this as a new complaint.

My final decision

For the reasons given above, it's my final decision that HSBC UK Bank Plc's offer to put things right is fair. So, it must abide by this. Specifically, this is:

- ensure that if Mr M reappplies for another account (subject to him clearing the outstanding balance on the closed account), it will ensure the search doesn't appear on his credit file;
- not charge any interest on the outstanding balance; and
- pay him £200 compensation for the distress and inconvenience caused, if it hasn't already.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 19 November 2024.

Elspeth Wood
Ombudsman