

The complaint

Miss M complains that HSBC UK Bank Plc incorrectly cancelled a standing order to the company who provided her mobile phone.

What happened

Miss M had a phone contact with a company I'll call A. Another contract was fraudulently taken out in her name, also with A, and a direct debit was set up. Miss M told both A and HSBC that this contract had been taken out fraudulently. Miss M asked HSBC to raise a claim under the Direct Debit Indemnity for the fraudulent contract. However, HSBC incorrectly raised this on the genuine direct debit Miss M held with A.

Because the direct debits were reclaimed, A recorded missed payments on Miss M's credit file, applied late payment fees and restricted her data use.

Miss M complained to HSBC about this. It agreed it had made a mistake, and the correct claim was raised. It paid Miss M £250 compensation for its mistake and provided her with a letter to give to A accepting that it was at fault for this mistake. Miss M didn't accept this and referred the complaint to us.

One of our Investigators looked into this complaint. She didn't think HSBC had responded as quickly as it should've when cancelling the incorrect claim. She said Miss M was vulnerable and that this situation caused her considerable distress and significant inconvenience. Following this, HSBC increased its offer to £400 total compensation.

Our Investigator thought this amount was fair. Miss M disagreed and asked for the complaint to be considered by an Ombudsman. So, it's been passed to me to make a final decision.

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.

It's not disputed that HSBC made a mistake in cancelling and reclaiming the wrong direct debit. This led to A chasing Miss M for arrears and recording this on her credit file. This clearly caused Miss M upset and inconvenience. And, as our Investigator noted, due to Miss M's situation at the time, she was vulnerable.

The main dispute in this complaint is the amount of compensation HSBC should pay. I've thought carefully about this.

When Miss M told HSBC it had made a mistake, it didn't act as quickly as it should've done. And, the effect of this mistake has taken Miss M some time to resolve.

The incorrect reclaim of the direct debits was cancelled six days after Miss M made HSBC aware of its mistake. It responded to the complaint and provided Miss M with a letter to A to confirm it had made the mistake a week later. However, since all of this, A has continued to chase Miss M for payments, mark missed payments on her credit file, and applied late

payment charges. I can't consider any mistakes that A has made here, or the impact A has caused, as A doesn't come within the jurisdiction of our Service. But I do need to consider the fact that the actions of A here contributed to Miss M's distress and inconvenience.

Were it not for HSBC's mistake, A wouldn't have taken the actions it did. But HSBC did what it could to resolve the matter and did so relatively quickly – though not as quickly as it should have. I'd also note that the refund of the incorrectly reclaimed direct debits was placed into Miss M's account, so she could've paid this straight to A to mitigate the situation somewhat and not be in arrears with A.

Having thought carefully about this, I think the impact was significant on Miss M, but was quickly rectified by HSBC. And it was A's actions that prolonged the distress and inconvenience to Miss M. Because of this, I agree with our Investigator that £400 total compensation is fair and reasonable in the circumstances.

Miss M says that A has recorded adverse data on her credit file. However, HSBC has provided a letter for Miss M to give to A to explain this matter was a mistake it caused. And HSBC can't remove data reported by another company. This is something she'd need to raise with A directly. Miss M has also said that A has applied late payment markers to her account. Again, I think this is something that Miss M should take up with A.

Putting things right

HSBC UK Bank Plc should pay a total of £400 compensation for the distress and inconvenience this matter has caused. This is to include the £250 it offered within its final response. If this has already been paid, it should pay Miss M a further £150.

My final decision

I uphold this complaint and direct HSBC UK Bank Plc to put matters right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 7 January 2025.

Rob Deadman
Ombudsman