

The complaint

Mr M complains that HSBC UK Bank Plc stopped his credit card and ended his credit agreement.

What happened

Mr M held a HSBC credit card with a credit limit of £6000.

In July 2024 Mr M contacted HSBC to report fraudulent activity on his card. HSBC said it would stop the card and send a new card. HSBC stopped the card but made an error and marked the account for closure instead, so no new card was issued.

In August 2024 Mr M contacted HSBC to ask where his replacement card was. The advisor realised that the card had been stopped incorrectly which was why a new card hadn't been sent out and advised Mr M that a new card would be ordered. However, the advisor didn't realise that the account had been marked for closure.

In September 2024 Mr M contacted HSBC and said he still hadn't received his new card. The advisor looked into things and called Mr M back to explain that the bank couldn't issue a new card and Mr M would need to apply for a new credit card account.

Mr M complained to HSBC.

HSBC issued a final response on 12 September 2024. It explained that when stopping Mr M's card, the advisor made an error and selected "application fraud" rather than "fraud", which meant that the card closed, and the credit agreement ended. HSBC said that because the agreement had ended, it was unable to reinstate the agreement. It said that Mr M would need to apply for a new card, but it couldn't guarantee that he would be accepted or have the same credit limit. HSBC apologised for the error and offered compensation of £200.

Mr M remained unhappy and brought his complaint to this service. He said that as a result of the financial hardship caused by the cancellation of the credit card, he had needed to enter an individual voluntary arrangement, which would prevent him from obtaining future credit.

Our investigator didn't uphold the complaint. She said there was no dispute that HSBC had made an error but said that asking Mr M to apply for a new credit card wasn't unreasonable in the circumstances. The investigator also said that the compensation paid to Mr M was fair.

Mr M didn't agree. He said that by denying him access to his £6000 credit limit, HSBC had destabilised his financial position so much that he had needed to enter into an individual voluntary arrangement. Mr M said this forced decision would damage his creditworthiness for many years. Mr M also said that his mental health had been affected. Mr M said that the compensation offered by HSBC was insufficient given the damage caused by the error. Mr M said he wanted an assurance from HSBC that any reapplication for credit wouldn't affect his credit score and that no searches would be recorded on his credit file.

Because Mr C didn't agree I've been asked to review the complaint.

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.

I know it will disappoint Mr C but I agree with the investigators opinion. I'll explain why.

I've read and considered the whole file, but I'll concentrate my comments on those points which are most relevant to my decision. If I don't comment on a particular point, its not because I've failed to take it on board and think about it, but because I don't think I need to mention it in order to reach what I think is the right outcome.

Its not in dispute that HSBC made an error when it closed Mr M's card and ended the credit agreement.

HSBC has explained that once a credit agreement has ended, it isn't possible to reinstate it. So I can't ask HSBC to open the account again on the same terms. The only way in which Mr M would be able to have an account is if he were to make a new application. However, HSBC can't guarantee that Mr M's application would be successful, or that he would be given a £6000 credit limit as before. The amount of the credit limit would depend on the outcome of affordability checks and a borrowing to income ratio check. HSBC – as with any lender – has an obligation to carry out these checks to make sure it isn't lending irresponsibly.

HSBC has stated that if Mr M applied for a new card, it will delete any searches carried out a part of the application process. It's up to Mr M whether he wishes to proceed with an application for a new card based on the assurance HSBC has given. I can see that to date, Mr M hasn't made a new application.

The real issue here, given that HSBC has acknowledged the error, is whether HSBC has done enough to resolve the complaint. It has offered compensation of £200, but Mr M says that isn't enough, because of the impact that the error has had on his financial situation.

I've taken everything that Mr M has said into account. I'm sorry to hear about the distress that he's been caused and about the impact on his mental health. Mr M has said that he's been forced to enter a voluntary arrangement because of the closure of his credit card. It isn't entirely clear to me – based on the limited information provided – why the closure of the credit card meant that Mr M had to enter into a formal agreement to pay his creditors. A voluntary arrangement generally involves more than one debt, so I think it's likely that Mr M has got other debts. I can see that in April 2024, Mr M made an application to HSBC for a loan of £10,000 to consolidate debts. Because of the other debts, I don't think it's possible to say that the closure of the HSBC credit card was the sole reason for Mr M entering the voluntary arrangement.

Taking everything into account, I think the compensation offered by HSBC is fair and reasonable, and in line with what this service would award. Therefore, I won't be asking HSBC to increase the compensation. I've explained above that Mr M can make an application for a new card supported by the assurance from HSBC that it will delete any searches.

My final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or

reject my decision before 24 February 2025.

Emma Davy
Ombudsman