

The complaint

Miss G complains about the service she received from HSBC UK Bank Plc (“HSBC”) regarding a direct debit indemnity claim she raised. In particular, she is unhappy at the time it took HSBC to cancel the claim. Miss G says as a result of this she’s suffered interest and penalty charges.

What happened

On 10 June 2024 Miss G raised a direct debit indemnity claim (“DDI”) with HSBC for £2,702.82 as she didn’t recognise the originator and didn’t believe she’d authorised the payment. HSBC raised the DDI within two working days as per the timescale it works to and which it advised Miss G of and the funds were fully claimed on 13 June and were ready to be processed into Miss G’s account. Miss G’s contractual minimum credit card payment was due on the same day.

On 14 June Miss G advised HSBC she wished to stop the indemnity as she had now recognised the payment was for her credit card. HSBC began the process to close the DDI claim and send the funds back but didn’t provide Miss G with a timescale on how long this would take.

Before the funds were returned Miss G received a letter from her credit card company on 27 June advising a balance of £2,715.72 was due including interest and late fees.

HSBC returned the funds (£2,702.87) via Chaps to Miss G’s credit card provider as per Miss G’s instructions on 8 July. Miss G’s credit card provider dispute this is the case but HSBC’s records show it followed the correct process and returned the funds to the corresponding originator account from the direct debit transaction.

Miss G complained to HSBC about all of this. HSBC didn’t agree it had erred in raising the DDI or cancelling it but apologised for the time taken to process the payment back to Miss G’s credit card company and credited her account with £100 to cover the month interest and late fee that occurred.

Miss G was dissatisfied with this. She says HSBC provided her with incorrect information and that she wasn’t aware the DDI funds had already been claimed or told when the funds would be returned and so brought her complaint to this service.

One of our investigator’s looked into Miss G’s concerns but thought as Miss G contacted HSBC to cancel the DDI claim after her credit card payment was due that HSBC wasn’t responsible for the late payment fee charged for not making her minimum payment in June. And as the funds were returned before the next minimum payment date of 15 July they didn’t think HSBC was responsible for any late payment charges here either.

But they agreed there were delays in HSBC returning the funds and thought it should compensate Miss G a further £100 on top of what HSBC had already paid and reimburse her for any interest accrued on her credit card during the period of delay in returning the funds.

Miss G remained dissatisfied with this and asked for an ombudsman's decision on the matter.

I issued my provisional decision on 4 February 2025. In my provisional decision, I explained why I was proposing not to uphold Miss G's complaint. I invited both parties to let me have any further submissions before I reached a final decision. HSBC had nothing further to add and Miss G didn't feel the compensation she'd been given was enough but didn't provide any further information or evidence for consideration.

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.

In my provisional decision I said that:

"It might help if I explain here my role is to look at the problems Miss G has experienced and see if HSBC has done anything wrong or treated her unfairly. If it has, I would seek – if possible - to put Miss G back in the position she would've been in if the mistakes hadn't happened. And I may award compensation that I think is fair and reasonable.

And having considered everything carefully I don't think that HSBC made an error in the raising of the DDI or cancelling it and processing the return of the funds to the originator – Miss G's credit card company. I say this as HSBC were merely following Miss G's instructions on both occasions and from what I understand followed the correct processes when doing so.

I accept that it was unfortunate that HSBC wasn't able to stop the DDI before the funds were claimed and that has resulted in much confusion about the balance Miss G owed on her credit card. But this wasn't an error on HSBC's part, indeed, quite the opposite as HSBC had met the timescales it set for processing these types of claims.

So I can't say HSBC did anything wrong or treated Miss G unfairly by processing the DDI as it did this on Miss G's instruction and in-line with its processes.

And nor do I think HSBC did anything wrong when it cancelled the DDI on Miss G's request and returned the funds to the originator as per the details it held on its system. Again, it was following Miss G's instructions.

But I do think there was a service failing on HSBC behalf here as although I appreciate there is no timescale for the return of the funds, I think it failed to manage Miss G's expectations about this. Miss G expected the funds to be returned in time to make her credit card payment. But this didn't happen and it was almost a month before HSBC returned the funds and in the meantime she received a letter from her credit card company chasing her for the balance plus interest causing her much distress and anxiety.

So although HSBC followed its processes correctly I think there was a service failing on its behalf in not managing Miss G's expectations regarding the time it would take for the funds to be returned.

HSBC have acknowledged that there were delays in processing the payment back to Miss G's credit card company, apologised and compensated Miss G £100 for this. And HSBC have also told us it paid Miss G a further £50 compensation in response to a second complaint she raised around this issue. So all I need to decide is whether this is fair in the circumstances – and I think it is.

I appreciate Miss G believes she has suffered penalty interest and charges as a result of HSBC's error. But I don't agree. Miss G's credit card statements show she may have incurred a small amount in interest and charges due to missing her June payment – around £12.

But due to the timing of events my understanding is it wouldn't have been possible to return the funds to the originator to meet Miss G's June credit card payment as it was due the same day as Miss G cancelled the DDI. And ultimately it is her responsibility – not HSBC's - to ensure that she makes her minimum credit card payment by the due date.

Furthermore, by the time Miss G's next minimum credit card payment was due on 15 July HSBC had already returned the funds to the originator and so I don't think HSBC should bear the cost of any penalty interest or late payment charges incurred as a result in the delay in returning the funds from the DDI.

In any case the amount of compensation - £150 in total – as I understand it more than covers any penalty interest and late fee charges for the period in question and is in line with the amount of compensation I'd recommend in the circumstances such as this. And so that being the case I currently don't think there is anything further HSBC needs to do.”

As neither party has provided any further evidence or arguments for consideration, I see no reason to depart from the conclusions set out in my provisional decision. It follows that I don't require HSBC to do anything further to settle Miss G's complaint.

My final decision

For the reasons I've explained I think HSBC UK Bank Plc has done enough to settle Miss G's complaint and I don't require it to do anything more.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 24 March 2025.

Caroline Davies
Ombudsman