DRN-5600822

The complaint

Mr B complains that HSBC UK Bank Plc trading as first direct made a redress payment of one penny to his savings account without prior explanation. He said this reignited his concerns about fraud following an incident in 2024.

What happened

Mr B said after previous fraud he changed his current account and no longer trusts anything from first direct. But he still has a savings account which received a redress payment of £0.01 on 31 January 2025. Mr B suspected fraud and called first direct who said a letter had been sent explaining this was for a foreign transaction. Mr B said the letter arrived a week after the payment, didn't explain the relevant transaction and made him more suspicious.

Mr B said first direct told him it concerned an adjusted exchange rate to a foreign currency transaction. He said the penny went to his savings account though the issue occurred on his current account. He wants first direct to modify its process to provide timely explanatory letters with specific transaction details. And where the payment relates to a closed account first direct should give the customer the option of where the payment is made.

Mr B complained to first direct. He said some form of financial compensation should be made to him for '*the stress, anxiety and effect this has had on my mental wellbeing'.*
First direct responded that it wrote to Mr B at the time to say that an incorrect charge had been applied to a transaction it described from 2022. It said the payment to his savings account was due to his having closed his current account.

Mr B wasn't happy with this response and referred his complaint to our service. Our investigator did not recommend that it be upheld as first direct hadn't made any errors. He said first direct told Mr B on his call the reason for this payment and that it was not fraud and that it had sent him a letter. The investigator said he appreciated Mr B's concerns but first direct had alleviated these and we can't ask first direct to change its processes.

Mr B disagreed with this outcome as it didn't address his concerns about the money going to a different account, which has a penalty for withdrawals, and not informing him as to what the payment was about in advance. Mr B requested an ombudsman review his 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 was sorry to learn that what should have been a straightforward foreign currency adjustment has turned into a drawn-out experience and distressing experience for Mr B. Part of my role is to determine whether what took place was fair and reasonable.

Mr B thinks first direct's letter about the payment of the 1p adjustment should have been sent well in advance so that he would have been prepared for the credit when it appeared in his account. He also thinks that he should have been given the option of where the payment was to be made.

The foreign currency adjustment was in relation to a transaction from Mr B's current account in 2022 and would have been paid there had the account still been open. I understand Mr B's point that he has to pay withdrawal charges from his savings account, but in the absence of his current account I think it was reasonable for first direct to make the payment there. I'm glad that Mr B has said this has not affected him financially.

Mr B thinks an advance explanation of the transaction involved and currency details will save consumers time in seeking an explanation. I'm not sure how many consumers would seek an explanation for a 1p payment but in any event first direct wrote to Mr B about this.

First direct's letter was sent just before the payment but arrived several days later. I'm pleased that first direct explained all about the payment when Mr B called after seeing the 1p credit and in its response to his complaint. But I think it should consider writing to customers further ahead of transactions to avoid uncertainty, and/or sending the information by email.

I was sorry to learn about the mental health impact Mr B has described that he has suffered. I agree with the investigator that first direct has not made a mistake in its handling of the transaction, and as we can only consider the complaint circumstances that are in front of us, it follows that I cannot uphold Mr B's complaint.

My final decision

For the reasons I have given it is my final decision that the complaint is not upheld.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 8 September 2025.

Andrew Fraser
Ombudsman