

The complaint

Ms C complains as a director of K, a limited company, that HSBC UK Bank Plc gave her poor customer service and failed to action the refund of a direct debit paid in error immediately.

What happened

K had a direct debit arrangement with the local council for payment of council tax. However, in May 2025 two payments consisting of the monthly instalment and a lump sum of over £1,000 were made. The latter payment was taken in error.

Ms C was abroad at the time this happened and did not receive two SMS messages from HSBC. As a result, K's account went into overdraft. When she returned, she called HSBC and was on the phone for over an hour, when the call was disconnected. She then went into her local branch where she says she received inconsistent and incorrect information. And that staff confused her business account with a personal account and told her it would take two to five working days for a refund. She also says she had to wait for an hour to see a manager.

Ms C complained that HSBC didn't comply with the terms of the direct debit guarantee and failed to refund the money immediately. As a result, K's account incurred interest charges and Ms C is concerned that it has affected its credit rating.

HSBC has agreed that its service could have been better. However as Ms C didn't contact it when the direct debit went out it was unable to recall the payment immediately. It explained to her that in accordance with its procedures for business accounts the direct debit would be returned within one working day if an error was shown to have taken place. And it complied with that procedure in returning the direct debit. For the poor service, it offered a payment of £50 compensation.

On referral to the Financial Ombudsman Service, our Investigator said that in respect of the poor service HSBC should pay £100 compensation. But in respect of complying with the direct debit guarantee she considered that HSBC had acted reasonably.

Ms C didn't agree and the matter has been passed to me for an Ombudsman's review.

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 should advise that I'm concerned here with the complaint made by K. I can't look at the wider implications of HSBC's compliance with the direct debit guarantee, nor can I ask it to change its procedures in that respect.

First of all, there was an error in the council claiming of a payment under its direct debit. But a direct debit mandate doesn't require the payee to collect a specific sum. So, the fact that

they collected a payment of a lump sum as well as the monthly instalment wasn't something that HSBC could do anything about. Its terms and conditions with regard to the business account allowed the account to go into an unarranged overdraft, and when this happens an SMS message will be sent to the customer. I'm satisfied that it did this in this case.

It's unfortunate that Ms C was abroad and didn't receive the SMS messages but I can't find HSBC at fault for this.

In respect of the service provided, I've listened to the call concerned, which lasted over an hour, with substantial waiting time during the call. I think the advice given during that call was essentially correct in that as it was an error by the council, the first step would be to apply to them for a refund. But as Ms C has pointed out the direct debit guarantee did apply and it took some time for this for the adviser to take the necessary details. It's also unsatisfactory that when the call was disconnected, HSBC isn't able to return calls.

I'm satisfied also that Ms C received poor service when in the branch. It does appear that she was told that it would take up to two working days for a refund. She had previously been told in the phone call that this would be one working day. I believe that the difference is between personal and business accounts. However, in spite of this I do note that the dispute regarding the direct debit was actioned immediately.

As regards compliance with the direct debit guarantee, HSBC couldn't recall the payment because it wasn't notified of it until a few days after it went out. The terms of the guarantee say that:

"If an error is made in the payment of your Direct Debit, by the organisation or your bank or building society, you are entitled to a full and immediate refund of the amount paid from your bank or building society."

But that doesn't mean that the bank isn't entitled to investigate whether an error has been made. In some cases, especially if the error is the bank's, this will be evident immediately so an immediate refund should be given. But in this case, I think that one working day to investigate the error and to refund the payment is fair and reasonable.

In respect of compensation, I must reiterate what our Investigator has said and that is that the eligible complainant in this case is the company, K. And in exercising our powers we have to take the law into account. So legally speaking Ms C as a director doesn't have a personal liability in respect of the company. So, I'm afraid that I can't award her compensation for her distress and any personal inconvenience. I can award compensation for the inconvenience caused to K by its director being tied up in sorting the matter out. For that reason, I do think that the award of compensation proposed of £100 is reasonable.

In respect of any interest charges incurred because of the account going overdrawn, I don't think that these are HSBC's responsibility. I've not seen any evidence that, bearing in mind that the account should have gone back into credit fairly quickly, it affected K's credit rating. However as it was the council's error Ms C should approach them in respect of paying back any interest charges.

Putting things right

HSBC should pay £100 compensation.

My final decision

I uphold the complaint in part] and require HSBC UK Bank Plc to provide the remedy set out

under “Putting things right” above.

Under the rules of the Financial Ombudsman Service, I’m required to ask K to accept or reject my decision before 13 October 2025.

Ray Lawley
Ombudsman