

The complaint

Mrs S and Mr S complain that HSBC UK Bank Plc incorrectly returned a cheque from their account despite there being sufficient funds available and won't explain why.

What happened

Mrs S and Mr S explain that they have had an 'auto sweep' arrangement between their current account and savings account for over 12 years. The aim is to keep a balance of £500 on their current account by transferring money to or from their savings account daily. In the past they have issued sizeable cheques from their current account. And sufficient funds have been transferred from their savings account to allow these to be paid. But on 7 February 2025 a cheque for £200,000 was returned due to lack of funds even though they say there was sufficient to pay this. The money was to be used to pay a supplier by that day to receive a ten percent discount.

HSBC said it hadn't made a mistake. It said that the auto sweep facility is no longer offered to new customers. And that it has never guaranteed payment of any cheque. HSBC said that the current account would have been overdrawn by £227,786.97 taking into account this cheque and another two presented for payment that day. There would need to be sufficient funds to make the payment and it wouldn't agree an informal overdraft over the current account overdraft limit of £5,000.

Our investigator didn't recommend that the complaint be upheld. There were insufficient funds to cover the cheque in the current account. It was a matter for HSBC to decide whether to pay the cheque. She noted that Mrs S and Mr S had been able to make the payment on 10 February 2025. And she didn't think HSBC was responsible for a financial loss.

Mrs S and Mr S didn't agree. Mr S said that HSBC shouldn't be able to reject the complaint on some undocumented procedure. This is the first time the auto sweep had failed and this was very embarrassing and expensive. There was no justified reason not to honour the cheque. And HSBC ought to have contacted him to discuss what was happening.

My provisional decision

I issued a provisional decision on 5 December 2025. I set out below what I said.

I'd asked through our investigator for HSBC to provide more information about what happened as I was unclear about the way the auto sweep operated. And had noted that there are no terms and conditions for this arrangement available it seems and this product feature is no longer offered.

HSBC's responses have assisted with some detail. But I'd still had to make some inferences about the way the arrangement operated here.

I'd noted from HSBC's system records that the cheque for £200,000 was processed after the close of business on 6 February 2025. An automated decision was made about whether to pay this in the early hours of 7 February 2025. That involved HSBC applying this and two other cheques due to the current account balance of £500 which came to the debit amount of £227,786.97. And comparing this to the funds in the savings account of £214,722.34. That left a net debit balance of £13,064.63 and was above the agreed overdraft limit of £5,000. The decision was taken to return the cheque for £200,000.

I noted that Mr S transferred £25,000 from another account to their current account at 10:05am on 7 February 2025. That indicates he knew that the cheques due for payment wouldn't be covered by the auto sweep arrangement. His position is that at this time the cheque for £200,000 was still showing on the current account and had also been credited to the payee. I noted he has a connection to that payee but that as a limited company it is a separate legal entity and not party to this complaint. That company was unable to make a payment to its supplier in time Mr S says to receive a discount. And Mr S had to make the payment again on 10 February 2025 by contacting HSBC.

The letter to Mrs S and Mr S about the returned cheque states that it was returned for lack of funds and that *"On any working day where cheques are due to debit your account, if there aren't sufficient funds we'll check again at 1-30pm. We'll see if there's enough money to make the payment...This gives you chance to pay money in or increase your arranged overdraft limit..."*

The cheque here was reversed at 1:47pm on 7 February 2025. The inference I drew here is that the auto sweep is tested once a day in relation to cheques in clearing/ other payments and then an adjustment is made at the end of the day to bring the current account balance to £500. It isn't an arrangement that checks balances continuously during the day or that involves any manual intervention. That means that the credit transfer of £25,000 Mr S later made didn't make a difference to the payment of this cheque.

The information from HSBC is that these particular circumstances haven't arisen before for Mrs S and Mr S. That's to say that there were sufficient funds in the savings account to cover past similar cheques as is reasonably required.

In making my assessment I took into account the following:

- The auto sweep worked as intended and isn't a real time system updating during a working day. It was disappointing that I didn't have specific terms and conditions or any documentation of HSBC's arrangement with Mrs S and Mr S but I'd explained how I'd dealt with that.
- HSBC staff haven't been able to explain how things work to Mr S in a complete way. So, it has given him the impression that it can make an unjustified decision to return a cheque. And its letter about the returned cheque isn't tailored to the auto sweep arrangement.
- I said that it's generally advisable for there to be sufficient funds available when a cheque is issued. The cheque clearing cycle is now relatively short and HSBC has a limited amount of time to decide whether to pay any cheque.
- I also understood HSBC could have returned this cheque at any time during 7 February 2025 and so receipt wasn't guaranteed for the payee during that day. And Mr S had issued payment to that company close to what he explains was the supplier's deadline.
- That payee is as I'd said a separate legal entity so even if I'd evidence to support it had made a specific loss, I wouldn't be in a position to take that into account here.

I appreciated how Mr S expected this product feature to work. But that isn't how it does work. So, I didn't think that HSBC has made a mistake with the auto sweep and involving a

similarly automated decision about paying a cheque. But it has been unclear in its explanation subsequently and there is no documentation. I provisionally found it has caused a level of distress and inconvenience to Mrs S and Mr S as a result in dealing with this specific cheque payment for the reasons I'd given. And has communicated poorly. But I didn't consider HSBC is fairly responsible for any financial loss to them. Having taken into account our published guidelines about compensation I intended to make an award of £200.

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.

HSBC said that it had nothing to add in response to my provisional decision.

Mrs S and Mr S said that HSBC had tried to walk away from their claim and find excuses to admitting a mistake. This mistake cost them the ten per cent discount - equivalent to £20,000 - which would have been received. And they were disappointed that I'd only awarded one per cent of the loss at £200 and would have thought that £2,000 (ten percent) would be the minimum they'd reluctantly accept. They asked me to review my award from a technical and moral perspective.

I'm afraid I remain of the view that my proposed award is the fair resolution and for the reasons I've already given in my provisional decision. I set out above that the auto sweep worked as intended. And that even if it hadn't the company that Mr S said made a loss isn't party to this complaint and is a separate legal entity and I wouldn't be able to take that into account here. So, I'm not making an award for any financial loss. I did though consider that the communication by HSBC and the way that it dealt with this cheque payment caused Mrs S and Mr S distress and inconvenience. And that's why I'm awarding the compensation here.

My final decision

My decision is that I uphold this complaint in part and require HSBC UK Bank Plc to pay Mrs S and Mr S £200.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S and Mr S to accept or reject my decision before 20 January 2026.

Michael Crewe
Ombudsman