

## **complaint**

Mrs P complains that HSBC Bank plc treated her unfairly when she tried to pay off an overdraft debt.

## **background**

In 2007 Mrs P held an account which had an overdraft. HSBC gave Mrs P notice that it was going to remove the overdraft facility, which it did in October 2007. Mrs P says that, as her credit rating was poor at the time, it was not possible for her to get a loan to repay her overdraft debt – which became unauthorised.

Mrs P says she then reached an agreement with HSBC to make weekly payments of £5 towards the debt. But she says that the debt increased, because the payments were not sufficient to keep pace with the high overdraft interest and charges applied to the account.

HSBC registered the debt in default in 2008, closed the account and instructed collection agents. That meant no more interest or charges were applied after December 2008. Mrs P says that it is unfair for HSBC to have applied such a high level of interest and charges to the debt prior to that, given that she was keeping to a repayment arrangement.

HSBC said that there was no agreed arrangement, and did not accept that Mrs P had been charged unfairly. As things were not settled, Mrs P brought her complaint to this service where an adjudicator investigated it.

The adjudicator did not feel that the evidence supported Mrs P's case that she had made a formal agreement with HSBC to pay £5 a week. But, even so, the adjudicator thought that HSBC had shown a lack of action on the unauthorised overdraft debt, which seemed just to have been left. On the adjudicator's recommendation, HSBC offered to refund all interest and charges applied to the account in 2008, to be used in reduction of the debt.

Mrs P was not willing to accept the offer and said, in summary:

- The account should have been closed far earlier, after her wages stopped being paid into it.
- She definitely agreed a repayment plan, which was done in the branch.
- She would like at least £1,000 so that the debt is entirely repaid, and should also receive interest on the refund at 8% a year since 2008.

## **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

HSBC removed the overdraft facility in October 2007, having concluded that it was no longer affordable. In the ordinary way of things, the account would have been closed and the debt passed for collection by the end of that year.

For some reason, that did not happen. But there is also no indication in the records from the time that a firm repayment arrangement had been agreed. I note that the £5 payments started several months before HSBC sent notice that it was going to remove the overdraft facility, and while the account was still being actively used. This does not suggest a formal repayment plan.

That said, I agree with the adjudicator that this account seems to have suffered from a lack of attention by HSBC once the overdraft facility was removed. It has now accepted that, and has offered to refund all the charges and interest that were applied in 2008. In simple terms, this means the debt will be reduced to the level it would have been, had the account gone through the normal procedures and been closed at the end of 2007.

That seems fair to me. I'm not persuaded that HSBC should have stepped in to remove the overdraft facility and default the account at a much earlier stage, as Mrs P suggests. She had continued to use the account then, even if her wages were no longer being paid into it.

I don't agree that HSBC must pay off the whole debt, because that was money which had been spent on the account (together with ordinary account charges and overdraft interest) and would still have been owed even if the account had been closed at the end of 2007.

Mrs P is not due interest on the refund – she did not actually pay the charges and interest applied to her account in 2008, and so was not kept out of that money. In all the circumstances, I find that a refund of £603.33 represents a fair settlement of this complaint.

### **my final decision**

My final decision is that HSBC Bank plc must refund £603.33 in reduction of Mrs P's debt.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P to accept or reject my decision before 16 November 2015.

Jane Hingston  
**ombudsman**