

The complaint

Mr C is unhappy with the actions of HSBC UK Bank Plc ("HSBC") following an application he made for a bank account.

What happened

The circumstances surrounding this complaint are well known to both parties, so I won't repeat them in great detail here.

But broadly summarised, Mr C applied for a personal current account using HSBC's online banking service. Unfortunately the information Mr C provided differed to the information held on the credit reference databases HSBC used when checking the application.

This meant the automated application was flagged for further checking. HSBC's fraud team reviewed the application. And as a result, it had concerns that Mr C may himself be the victim of impersonation fraud. The application was declined, and HSBC applied a Cifas protective marker. This Cifas marker advised other financial institutions that Mr C may be the victim of impersonation fraud. HSBC also loaded another marker to Cifas which contained information regarding the details of the application. This information is then available for other financial institutions to use when assessing any applications. To prevent accounts being opened fraudulently.

HSBC wrote to Mr C to advise that the application was unsuccessful, and it wasn't able to offer him any banking facilities.

Mr C took the letter into branch and says he was told that it was due to concerns of fraud. Mr C says he advised that it was not a fraudulent application because he had made it himself.

Mr C says that around a week later he received a further letter, which advised that HSBC's investigation was complete, and the application had been cancelled and it had notified Cifas that a fraudster had misused his name and address (meaning a protective marker was loaded to prevent Mr C from possibly being the victim of impersonation fraud). The letter also stated that if Mr C did not wish for the Cifas file to be updated with details of this impersonation, to let HSBC know and it would arrange for the information to be removed.

Mr C advised that both in branch and over the telephone, HSBC provided misleading information around getting the marker removed, which was contrary to what it had stated in its letter to him. Mr C had particular concerns regarding a conversation he had with an adviser from HSBC on 19 May 2023 which led to Mr C formally complaining about the matter.

Mr C wanted it known that he didn't cancel the application and he was unhappy that he had to attend branch (requiring a taxi). Mr C was also unhappy with the service he received when he called in and the time it took to log his complaint.

On 23 May 2023, HSBC called Mr C and spoke with him about his concerns. It acknowledged that it didn't provide the best service in branch initially and then subsequently on the telephone. It advised that it had provided feedback to both parties: the Branch Manager and the telephone agent's manager. HSBC paid £150 for the distress and inconvenience caused. HSBC followed up confirmation of this in writing to Mr C. The Cifas markers were removed on 16 June 2023.

Unhappy, Mr C referred the matter to our service. One of our Investigators looked into the complaint and didn't uphold it.

In short, they felt HSBC didn't do anything wrong in placing a protective marker given the concerns it had that Mr C might be the victim of impersonation fraud. They explained the purpose behind the marker – which is designed to protect customers from impersonation fraud and further explained that it alerts businesses so that they can carry out additional checks to ensure they are dealing with the legitimate party. The Investigator advised that the marker involves recording the information used within the application and there was the potential for this to have caused some issues for Mr C. Mr C had said he was declined a bank account due to the marker being in place. However, as he hadn't provided any evidence of this our Investigator couldn't say that any further compensation for the recording of the marker was required.

The Investigator agreed that Mr C had received poor service from HSBC but felt the £150 that had already been paid was fair.

Mr C has asked for the matter to be reviewed by an Ombudsman as the final stage in our service's process. So, it's been passed to me for a final decision.

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 know Mr C feels very strongly about the actions of HSBC and is clearly frustrated about the process he went through and understandably so. But in having reviewed everything, I don't uphold this complaint. I think HSBC's offer of compensation to reflect the service Mr C subsequently received in trying to resolve the issue around the marker, is fair. I'll explain why.

Here, the starting point was the incorrect information Mr C accidentally used within his application. This correctly flagged for further checking. Banks and financial businesses have certain obligations to prevent accounts being used for fraudulent purposes and to protect consumers from impersonation fraud. So here, when it received Mr C's application and the information differed to that held on the credit reference database – it led to them having a concern that Mr C himself may be the victim of impersonation fraud (that is someone pretending to be Mr C in order to open an account).

So I don't find HSBC acted unfairly in declining the application and loading the protective marker based on the information it received and the concerns it had at the time. Its actions were a safeguarding measure to prevent Mr C from the possibility of financial harm.

However, its clear things went wrong after this. Mr C attended branch and after receiving a subsequent letter advising him to contact HSBC to remove the marker, was provided with confusing information. Neither branch nor telephone agent seemingly had enough knowledge to be able to deal with this matter. While I appreciate fraud or Cifas markers can be slightly more nuanced as a subject or procedural matter – it shouldn't be for HSBC. And Mr C should have been put in contact with the right department or area that could provide the correct advice and assist him. So I can see why Mr C felt aggrieved that HSBC's letter advised for him to make contact to get the marker removed and then when he did, no one seemingly could help him.

That said, HSBC have acknowledged its poor service – and paid £150 which Mr C accepted. I'm satisfied it fairly compensates Mr C for the misleading information it provided in its letter which indicated to Mr C that he had cancelled the application. And I'm also satisfied this fairly takes into account the costs Mr C incurred in having to take a taxi to branch and the time Mr C spent in trying to resolve the issue subsequently. I'm also pleased to see that HSBC fed back to both branch and telephone agent on the service Mr C received relating to this issue and the process around Cifas markers.

Finally, I note the markers were removed on 16 June 2023. I note Mr C said that HSBC placing the marker had a further detrimental impact on him as he attempted to open another bank account, and this was declined due to the markers.

With the protective marker, it is designed to safeguard Mr C so this shouldn't have had a detrimental impact on any further applications Mr C made. The marker would require other financial institutions to carry out some more checks to ensure they were dealing with Mr C and not an impersonator. So I can't fairly say that the loading of the protective marker has had any further impact on him.

I appreciate that HSBC uploaded the details of the application to Cifas. This is done to enable other financial institutions to know the details being used to prevent further impersonation fraud. To my mind, this seemed to be unnessecarry given Mr C was attempting to provide the correct details. So there was a possibility that this could have caused difficulties for Mr C in any subsequent application he made while this marker was in place. However I am mindful that the marker was removed on 16 June 2023 and Mr C hasn't provided any evidence to show a further application was declined by another financial institution. So while it could have had an impact it hasn't been evidenced that this is the case – so I don't award any further compensation.

Overall, while this was a frustrating process for Mr C to go through, I find HSBC's compensation offer of £150 to be a fair way to resolve the matter. And it doesn't need to do anything further.

My final decision

For the reasons given above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 6 October 2023.

Matthew Horner
Ombudsman