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**Private & Confidential**

Mr Nicholas Wilson

Emailed to: [nw@nicholaswilson.com](mailto:nw@nicholaswilson.com)

Our Ref: 16 July 2019  
204618784

Dear Mr Wilson

Thank you for coming to meet with Andrew Bailey and me on 4 July 2019. I am sorry that you did not find that meeting as helpful as we would have liked but, as promised, I am writing to provide you with an update on the FCA's ongoing work in relation to HSBC's voluntary redress scheme, arising out of the payment of an unreasonable debt collection charge (DCC) by customers of HFC Bank Ltd (HFC) and John Lewis Financial Services Limited (JLFC), both now part of HSBC UK Bank Plc (the Scheme).

As you will be aware, we have been providing regular updates to the Complaints Commissioner about the work and have committed to providing you with an update. We have also published summary information on the FCA's website which is consistent with communication initially made by HSBC, and further communicated it to journalists, to ensure that potentially affected customers are aware of the position.

**Actions since February 2017**

In February 2017, you met with Mr Bailey's office and the Supervision team, where you presented information indicating that significantly more customers were due compensation than had been initially identified by HSBC. The FCA sought to corroborate the information and analysis, and engaged with both Restons Solicitors Ltd, Weightmans LLP and the relevant court in this respect. To ensure the accuracy of the data, the FCA was also able to obtain comprehensive and confidential records directly from the relevant court and later from the Ministry of Justice (MoJ). This required us to tackle complicated issues relating to data protection and information disclosure, which needed to be resolved before the relevant information could legally be provided to us and HSBC. I appreciate that the time that this process has taken has been frustrating, as has the limited information we have been able to provide you as to our progress.

However, we can confirm that on receipt of the MoJ data as well as the data you provided to the FCA, HSBC reconciled the account information with the initial population of customers that were identified for remediation. As a result of this exercise and other information, it became evident

that the population of customers where the DCC had been applied was larger than had been previously understood.

At this point, the FCA asked HSBC to reconsider its approach to the redress scheme, which included HSBC reconsidering whether further redress was due. As a consequence, HSBC broadened its approach to the Scheme and senior management at the firm has provided the FCA with assurance that all affected customers will be given the opportunity to be compensated.

### **The current position**

On 26 April 2019, the FCA issued a public statement that HSBC was expanding its review to identify and compensate further customers who either have or may have paid the DCC. As part of this action, HSBC has confirmed that in May 2019 approximately 18,500 customers, who had not previously been contacted by HSBC, were written to as part of this process. Thus, any customer, including those not written to, who thinks they may have been impacted by this matter should get in touch with HSBC and their case will be considered on its merits.

HSBC is undertaking a tracing exercise to ensure it has accurately located all those potentially owed compensation. It has assured us that this tracing exercise is consistent with industry standards and similar work that it is carrying out in other areas of the business. We will hold them to account should this not be the case.

We note the concerns raised that the wording of HSBC's initial customer letters sent in April as part of this exercise appeared to have shifted the onus onto customers and may discourage legitimate claims. We can confirm that HSBC amended and re-issued the letter in May. The position is now that customers will be compensated where the records indicate they paid unreasonable debt collection charges. Where the records show that customers paid their outstanding debt but do not determine whether debt collection charges were applied and paid, customers will be written to and invited to share their recollections. Customers will be compensated where their recollections indicate they have paid unreasonable debt collection charges.

Our overriding aim, which is aligned with yours, is to ensure that those who have suffered harm through the imposition of the DCC are compensated fairly. Most importantly, the total redress figure will be determined solely by the evidence, which includes the material you provided, the court's and MoJ's data, customers' recollections and HSBC's own records. In that context, we have taken on board your comments on the use of Land Registry information to determine whether further customers have been affected. This information has been shared with the Supervision team to raise with HSBC.

As outlined during our meeting, while the Scheme is being conducted on a voluntary basis, the FCA retains oversight of HSBC's work. For example, this includes HSBC's conduct in relation to the Scheme under our Principles for Businesses, and senior management accountability for the Scheme under the Senior Managers Regime. While I am unable to go into detail on our actions, I can confirm that we will be reviewing HSBC's progress, including the level of uptake and amounts of redress paid to customers. If the Scheme does not deliver the right outcome then the FCA will consider further action.

## **Your continued engagement with the Scheme**

I want to take this opportunity to thank you for having brought this matter to our attention. I understand how important this issue has been to you and want to make clear that the information you provided to us has had a real impact on those people affected by the unreasonable debt collection charges, who might not otherwise have received compensation. If you have any further information that you think would be of relevance to our work, we would be happy to receive it.

We thank you again for your patience and your perseverance.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Simon Pearce', written in a cursive style.

**Simon Pearce**  
Company Secretary  
Director of Corporate Services

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