

HSBC Introduces Simplified Overdraft Service

Changes will also lower the cost of exceeding any pre-arranged overdraft limit

HSBC announces that from November 2014 it is changing the way it charges HSBC and **first direct** customers for overdrafts that are not pre-arranged (“informal”). A new text service will also help them stay on top of their finances and avoid paying the charges. However, if they do go into informal borrowing the charges will be reduced for the majority of customers.

Currently each time a customer extends their informal overdraft they incur a £25 set up fee. This is being replaced with a £5 daily usage fee payable every day a customer is over their agreed limit. The daily usage fee is capped at £80 in one monthly charging period. HSBC and **first direct** will also send text messages to alert customers who go over their pre-arranged limit, though they will not be charged if their balance is back within it before 11.45pm on the same day.

There are no changes for customers who stay within their agreed overdraft limit. They will continue to pay overdraft interest between 11.9% and 19.9% EAR¹.

Andy Mielczarek, **Head of Retail Products at HSBC UK**, said:

“We have spent time listening to our customers on how we can improve our overdraft offering. These changes have been designed to provide a simpler way for customers to understand the cost of any borrowing not agreed in advance, while we have maintained the great value offered on our agreed overdrafts, which have no fees and purely charge interest on what is borrowed.”

Research by HSBC found that customers preferred to keep the option to go into informal borrowing as they would rather have access to funds than face unpaid bills. Research also discovered that if they were to go over their agreed limit they wanted the opportunity to avoid charges which is why the new text alert service is being introduced.

Customers who do not want to go into informal borrowing can use HSBC’s Basic Bank Account or Pay Monthly Account, neither of which allow borrowers to exceed their agreed overdraft limit.

Further information about overdraft changes:

- There is no fee for an informal overdraft request of £10 or less

- Informal overdraft charges will not be higher than the amount by which a customer exceeds their limit in each charging period (e.g. the cost of a £15 informal overdraft will be limited to £15 even if the customer remains over their limit for more than three days)
- Charges will be capped at £80 in one monthly charging period (charges are currently capped at £150)
- If overdraft interest and fees alone cause an account to go over limit no overdraft usage fee will be charged
- Customers will not be charged further overdraft usage fees if their account remains in informal overdraft for more than 30 consecutive days
- If we hold a customer's mobile phone number they will be sent text alerts to help them keep track of their account and avoid overdraft usage fees
- HSBC and **first direct** customers who make a withdrawal from an HSBC ATM will be warned that they may incur a fee if the withdrawal takes them over their overdraft limit
- Customers are given at least 14 days' notice before fees are debited from their account
- HSBC and **first direct** customers whose payments are declined due to insufficient funds are not charged a fee. This fee was removed in November 2013.

Customers who have provided HSBC with their mobile number will be notified by text message alert² if they go over their overdraft limit and if they have items debiting their account that will not be paid. They will need to opt out of this service if they do not want to receive it.

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Notes to Editors:

¹ The first £500 for HSBC Premier customers and first £250 for **first direct** customers is interest free.

² HSBC and **first direct** is introducing new text alerts to help customers keep track of their account and avoid informal overdraft usage fees. If customers provide a mobile number they will be alerted as follows:

Projected Informal: We agreed an informal overdraft to cover payment(s). To avoid the £5 daily fee, your account must be within formal limit at 23:45 today.

Confirmed Informal (on the first day you are over the limit): We agreed an informal overdraft to cover payment(s). If you bring your account within formal limit you will avoid further £5 daily fees.

Unpaid alert when we do not pay a direct debit, standing order, future dated bill payment or cheque: Some of today's Direct Debit/Standing Order payments may not be paid unless there is sufficient available balance at 3.30pm.

Informal Overdraft Scenario examples:

Scenario	Description	HSBC & first direct	HSBC and first direct from 10 Nov 14
1	We refuse a payment from your account because there is not enough money in your account and we are not able to agree a covering informal overdraft.	£0	£0
2	A payment from your account takes you into an informal overdraft by less than £10. You are overdrawn or over your limit for one day during the month.	£0	£0
3	A payment from your account takes you into an informal overdraft and you then make another payment from the account while you are overdrawn or over your limit. You are overdrawn or over your limit for two days in a row during the month.	£25	£10
4	A payment from your account takes you into an informal overdraft, and you then make nine more payments from the account while you are overdrawn or over your limit. You are overdrawn or over your limit for 10 days in a row during the month.	£125	£50
5	A payment from your account takes you into an informal overdraft for one day. However, on three more occasions during the month, a payment takes you into an informal overdraft. On each of these occasions you are overdrawn or over	£50	£45

	your limit for three days in a row.		
6	A payment from your account takes you into an informal overdraft. You are overdrawn or over your limit for 21 days in a row during the month and you make 12 more payments from the account while you are overdrawn or over your limit.	£150	£80

HSBC Bank plc

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The HSBC Group

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