



Alan M Keir

Group Managing Director, EMEA & Chief Executive Officer, HSBC Bank plc

Mr Andrew Tyrie MP
Chairman of The Treasury Committee
House of Commons
Committee Office
7 Millbank
London
SW1P 3JA

22 July 2014

Dear Andrew

Thank you for your letter of 8 July regarding the use of in-house lawyers.

I confirm that we did make use of an in-house law firm, DG Solicitors (DG), which undertook debt recovery litigation activity for a number of HSBC Group companies across both consumer and commercial segments. DG was established in March 2001 and was registered and regulated by the Law Society until 2007 when the Solicitors Regulation Authority (SRA) took over the responsibility for regulation, although DG remained registered with the Law Society.

DG filed accounts with the SRA and complied with all legal and regulatory requirements throughout its period of operation. The partners of the firm have always been solicitors employed by the bank. We disclosed that DG was an in-house firm on the front page of all correspondence, which stated "This firm is the practising name of solicitors employed by the HSBC Group". A copy of a letter from DG is attached at Appendix 1.

Following amendments to the Solicitor Code of Conduct rules (SCC) and a review of the SRA registrations held by the bank we decided in early 2013 to organise all bank litigation under a single HSBC registration. The SRA was kept informed throughout the process of transferring ongoing claims and we finally closed DG in February 2014. Litigation is now carried out by HSBC Litigation Services.

To be completely transparent, I want to advise that HSBC used other in-house trading names during the collections process. Metropolitan Collection Services Ltd ("MCS") was used for the recovery of consumer debt across our UK brands (it did not undertake any litigation activities) and correspondence included the fact that it was a member of the

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HSBC Group. MCS also used two trading names, 'Central Debt Recovery Unit' and 'Payment Services Bureau', at various stages when communicating with customers. Both names are now only used for ongoing servicing of legacy accounts where a customer is paying under a longstanding arrangement. Building on the closure of DG Solicitors, we have taken a decision to stop using MCS for newly defaulted customers with immediate effect. These customers will now be contacted by HSBC Debt Recovery Services, as will customers with ongoing arrangements previously managed by MCS. Further background to MCS is contained in Appendix 2.

At this point, it might be helpful for me to describe HSBC's debt recovery process.

When a customer misses a contractual payment, they enter our collections process. To give you an idea of numbers, an average of 100,000 customers per month miss a scheduled payment. For the first 180 days after the first missed payment date all correspondence is issued under the standard HSBC brand. After the first 180 days HSBC Debt Recovery Services writes to those customers still in arrears. On average, 5,000 customers per month receive these letters. If after 230 days we still have not received payment or established contact with the customer, some customers are passed to HSBC Litigation Services. At that point, HSBC Litigation Services issues those customers with a standard 'letter before action'. Around 800 customers per month are sent letters before action. Where customers are not considered suitable for litigation they can be passed to an external debt collection agency. From this point, the number of letters sent to each customer in default depends on their response to the initial 'letter before action'. Litigation leading to judgment is the result in an average of 275 cases per month, with the remainder agreeing alternative solutions without the need for litigation.

We only use litigation where a customer has been unwilling to engage with us to agree an appropriate repayment plan, through standard channels of communication. In all circumstances litigation is only considered at the end of the debt collection process. We believe our process demonstrates that we use litigation in proportionate and selective circumstances and only after we had made extensive efforts to engage with customers via a non-litigious route.

It is our policy to help customers in financial difficulty: we help an average of 14,000 per month by, for example, referring them to our internal financial guidance team, agreeing a payment pause or adjusting their payment schedule. In addition, interest and charges are suspended in the vast majority of these cases. At all stages of the collections process we refer customers to sources of free advice and ensure that vulnerable customers are handled sensitively.

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Our intention in using the in-house firm was to distinguish correspondence from standard collection letters, ensuring customers understood both that their account was subject to litigation and the consequences of such action. However, we acknowledge that the body of the letters, rather than the footer, could have stated that DG was an in-house law firm of HSBC.

I should also mention that M&S Financial Services Plc used the services of Peter Green Solicitors from 1998 to 2005, when it was closed following the acquisition of M&S Financial Services Plc by HSBC Group, with the work being passed to DG. Peter Green was a solicitor and an employee of M&S Financial Services Plc. The Peter Green Solicitors letterhead stated that the firm was registered with the Law Society and Solicitors Regulation Authority.

Finally, I recognise and welcome the focus on transparency and accept it would have been clearer for our customers had we not used a different legal brand name for work undertaken by solicitors employed by HSBC.

Please let me know if you need any clarification or further information.

Yours sincerely

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

Appendix 1 (see separate attachment)

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Appendix 2

Metropolitan Collections Services Limited (“MCS”) was set up in 1985, initially to undertake collections activity for our Asset Finance business. Since 1996 it has been used for recovery activity on defaulted consumer, and small commercial debts of less than £30k.

MCS is used as part of our collection strategy following formal notice of default. The aim is to work with customers to fully assess their circumstances and establish an appropriate repayment or agreement that is affordable.

MCS is used to provide a highly compliant, controlled and cost effective alternative to the use of commission charging external Debt Collection Agencies (DCA), whilst differentiating the activity from our early collections process.

It is made clear in all correspondence that MCS is a member of HSBC Group. The letter sent to customers after default (c 180 days) states “Metropolitan Collection Services Ltd are our internal collections team and will work with you to come to an arrangement to repay your borrowing”.

No charges or interest are applied by MCS, with any payment a customer is able to make going to repay their residual debt.

MCS holds a separate Consumer Credit Act licence and is a member of the Credit Services Association. It also holds an Interim Permission from the FCA, and is compliant with all aspects of Lending Code section 9 and the OFT Debt Collection Guidance.

MCS also used two trading names, 'Central Debt Recovery Unit' and 'Payment Services Bureau' at various stages when communicating with customers. These brands are now only used for ongoing servicing of legacy accounts where a customer is paying under a longstanding arrangement.

Whilst we believe that MCS has always maintained the highest standards in its dealings with customers and adhered to industry best practice, we have taken a decision to stop using MCS for newly defaulted customers with immediate effect. In due course we will migrate existing customers with ongoing arrangements to HSBC Debt Recovery Services.

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DG SOLICITORS

YOUR REF: 34119057/MBB/LBDC01
OUR REF:

12 Calthorpe Road
Edgbaston
Birmingham
B15 1QZ

Telephone 0845 609 0546
Fax 0845 587 0234
Please ask for

Pre-Sue Unit

7 March 2011

DX 712630
Birmingham 32

Dear [REDACTED]

RE: Your Account with HSBC Bank Plc
Account Number [REDACTED]
Outstanding Balance £ [REDACTED]

We act for HSBC Bank Plc of 8 Canada Square, London, E14 5HQ ("the Bank"). We refer to the Bank's correspondence with you demanding repayment of this debt. We are advised that despite the demand full repayment has not been made.

We may be instructed to take legal action against you in the County Court to recover this debt. This could result in the Bank obtaining a judgment against you which may affect your ability to obtain credit.

To avoid legal action, you must pay the amount outstanding within fourteen days from the date of this letter. If you need more time to pay, we may be able to arrange this. Please telephone this office immediately on 0845 609 0546.

Payment can be made by credit card or debit card over the telephone, or your payment can be sent to this office. Please quote your name and account number with your payment. You can also pay cash at any UK Post Office or PayPoint outlet using a payment card administered by Girobank. Please contact us for further details.

Free independent advice and assistance can be obtained from National Debtline (Freephone 0808 808 4000); Consumer Credit Counselling Service (Freephone 0800 138 1111); Citizens Advice (the address and telephone number is available via your local Yellow Pages or Thomson local directory, or from their website - www.citizensadvice.org.uk); or Community Legal Advice (0845 345 4345).

It is important that you immediately contact us.

Yours faithfully,

