



Dame Meg Hillier MP
Chair of the Treasury Committee

Via email: treascom@parliament.uk

30 April 2025

Dear Dame Meg,

Thank you for your letter of 8 April 2025 regarding an IT outage experienced by first direct, a brand of HSBC UK, on 28 February. Ian Stuart has asked me to respond on his behalf, as CEO of first direct.

On 28 February, some of our first direct customers experienced issues in making payments through online and mobile banking for a period of just over two hours before services returned to normal. All other first direct services provided within online and mobile banking functioned as normal throughout this period and customers were able to make telephone payments as usual.

This incident was unrelated to the disruption experienced on that day by some other UK high street banks, which was widely reported in the media.

Turning to your questions directly:

- 1. Please can you outline the failure that occurred, what caused it and how it affected your customers? In your description, please can you provide a timeline of events, and a description of the failure by channel (i.e. app, web, branch, ATM, cards, etc). Please can you also note when all system failures were rectified?**

On Friday 28 February, between 07:01 and 09:11 UK time, some first direct customers encountered issues making payments through personal internet banking and the mobile application. Approximately 90% of these customers successfully completed their transactions upon retrying.

At 07:07 our alerting systems triggered mobilisation of our incident management processes. Our initial investigation showed that the issue began with a slowdown in our system that processes customer requests, known as our Application Programming Interface (API) Cluster. It was identified that this issue occurred from 07:00 to 07:20 UK time and led to a slowdown of services, impacting the ability to initiate a payment. During this time, too much system memory was being used, which impacted the available capacity.

At 09:11 UK time, we implemented changes to our system infrastructure to increase capacity for customer requests, which resolved the issue.

HSBC UK Bank plc

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2. Please can you provide an outline of how you intend to prevent such a failure happening again?

We conducted a thorough root cause analysis and have implemented several improvements, which have been verified by an independent internal team. The technical component that was affected has now been optimised for increased capacity and improved performance. Additionally, we have enhanced our alerting and monitoring systems to ensure swifter detection of any future issues. A review of similar technical components within our systems has been completed to ensure appropriate capacity and performance thresholds are set.

3. Please can you provide an overview of how your Board responded to the outage?

The incident was of a lower severity than meets our internally agreed threshold for Board escalation and therefore did not trigger a formal escalation at the time of the incident.

4. Please can you provide an estimate of the number of customers affected by your most recent outage (including as a proportion of your total customers), including an estimate of the number of vulnerable customers affected?

We believe that c.58,000 unique first direct mobile banking customers and c.2,000 unique first direct desktop internet banking customers were unable to make a payment on their first attempt. These customers represent about 5% of our digitally active user base of 1.2 million, or 3% of our total first direct customer base of 2 million. However, as stated above, approximately 90% of these customers successfully completed their transactions upon retrying.

We identified, via live chat, one vulnerable customer affected by this incident and followed up with an outbound call to ensure their request was processed in a timely manner.

5. Can you explain how HSBC (UK) is managing customer complaints following this incident, including whether you are being proactive in contacting customers who may have suffered, or whether you are entirely relying on complaints being reported to you?

During the incident, first direct tracked the volume of complaints received, related to this incident, and the subsequent value of any compensation that was provided to customers.

First direct received 62 complaints with c.50% of these complaints resolved at the first point of contact, and we responded to all customer enquiries via their channel of choice. When a customer contacted us to raise a complaint, we assessed the impact of the incident specifically against that customer's experience.

While the number of complaints is lower than the number of customers impacted, first direct did not proactively contact all impacted customers, since our system showed 90% of the affected customers were successfully able to complete their transaction(s) upon retrying and the incident was resolved by 09:11 UK time.

6. Please can you provide your estimate of the amount of compensation HSBC (UK) expects to pay out, given the potential costs your customers faced, and your expected timeline on the provision of that compensation?

Total compensation paid to customers amounted to £1,250. For 90% of the complaints, the customer's account was credited within 1 day of the complaint being received, and the rest were within 2 days.

7. Please can you provide the Committee with how your customer services response times changed over the period of the failure and in the period directly after, and the resources you have put in place to meet customer queries over the period and in the period directly after?

During the period of disruption, we experienced increased call volume and as a result the average speed of answer increased to 333 seconds against our target of 60 seconds. Additionally, given the increased call volume during the incident, the number of customers abandoning calls rose to 15%. We also experienced an increase in customers contacting us via live chat with c.5,600 more chats than usual for the duration of the incident. While 20% of the volume is normally handled by an automated response, for those who required support from a live agent, our response time increased to 120 minutes against a target of 5 minutes during this timeframe.

Our incident management processes were initiated and all non-urgent 'off the phone activity' and lower priority telephony work was cancelled, and agents were diverted to support the incoming calls and chats. Communication was sent to all customer-facing colleagues detailing how to support customers through the incident.

The first direct public website service status page was updated, and a banner added to every page of the website, to make customers aware of the issue being experienced. This was also mirrored via a social media update. The 'call waiting' message in the telephony channel was also updated to inform customers of the impacts being experienced and the increased waiting times.

Following the changes to our system infrastructure, which were implemented at 09:11, there was a near immediate reduction in call response times returning them to normal levels by 09:25. Average speed of answer reduced to below 10 seconds and call abandonment returned to normal levels at below 2%. Chat wait times continued to be higher for a period and

additional resources were assigned to pro-actively address customer enquiries. Chat volumes, and response times, reduced to normal levels by 11:42.

8. Please can you provide the Committee with an overview of your expected increase in fraudulent transactions over this period, how you have mitigated the risk of such transactions, and how you are helping customers who may have suffered due to fraud over the period?

We did not see any increase in fraudulent activity during the period of the incident. Our fraud systems were operating normally throughout, and customers were able to contact our fraud colleagues in the usual way.

9. This IT failure occurred towards the very end of the month. Are there key times, within an average month, when systems are more likely to fail?

There are no key times within an average month when systems are more likely to fail. Throughout a given month, customer demand will fluctuate based on time of the month, holidays, and other special circumstances, such as tax year end. Demand forecasts are used based on historical performance and updated to reflect any recent customer behaviour changes to inform our system requirements and performance testing on an ongoing basis.

No major organisation can be immune to IT failures and other incidents. However, we aim to respond quickly, including communicating to our customers and recovering services within our defined impact tolerance levels to avoid any considerable customer detriment, where possible

I hope this information is helpful to the Committee.

Yours sincerely,



Chris Pitt
CEO, first direct