

The complaint

Mr S complains that HSBC UK Bank Plc unfairly applied a default to his credit file.

What happened

Mr S set up a payment plan on his account and says he was told that by doing this it would stop any further action being taken. His payment was due to be made at end of July, but he had to travel overseas at that time. When he returned, he had a letter saying his account had been passed to a third party and a default registered. He raised a complaint which was upheld, and he received £150 compensation but says HSBC refused to remove the default from his credit file.

HSBC issued a final response letter in August 2023. It said that it had agreed in June to delay the closure of Mr S's account during his reduced payment plan but that this action wasn't delayed, and the account was closed on 13 July due to the arrears and in line with its final demand letter dated 14 June. It said it was unable to re-open the account and unable to remove the default as this was an accurate reflection of the account payment history. Because of the stress this issue had caused it offered Mr S £150 compensation.

Mr S wasn't happy that HSBC hadn't removed the default from his account and referred his complaint to this service.

Our investigator didn't uphold this complaint. She said that HSBC should have told Mr S that a default could still be recorded even though he had a payment plan set up, but she didn't think it was wrong to record the default. She thought the compensation that had been paid was reasonable given the issues raised.

Mr S didn't agree with our investigator's view and provided further evidence to support his case. He said that when he spoke with HSBC on 12 June and the payment plan was agreed he was told his account wouldn't be defaulted. He said that when he called HSBC about the default, he was told that the agent hadn't put it through correctly for the default to be stopped. Therefore, he thought as a mistake had been made the default should be removed.

Our investigator issued a second view. She said she had listened to the call on 12 June, and it was clear Mr S was trying to avoid a default being registered on his account. But she noted that Mr S had been sent a default notice in April and as the required payment wasn't made, she thought HSBC could continue with applying the default. She said that HSBC had explained that it could agree a payment plan, but this doesn't guarantee further collection action won't be taken. Having considered the evidence provided she didn't think that HSBC was required to take any further action.

Mr S didn't agree with our investigator's view and his case has been referred to me, an ombudsman, to make a 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 understand why Mr S is upset that a default has been recorded on his credit file by HSBC. But for me to uphold this complaint I would need to be satisfied that HSBC had acted incorrectly or unfairly by applying the default, or that it wasn't an accurate reflection of Mr S's account.

I have looked through the history to this complaint and I can see that Mr S had been experiencing issues making his payments on his accounts for an extended period. Payment plans had been set up and not always maintained and notices of arrears had been sent. Looking through the information provided I think that HSBC kept Mr S informed about the status of his accounts and that information would be recorded with the credit reference agencies as well as trying to assist him by setting up payment plans.

This decision relates to the default applied to Mr S's account in July 2023. Prior to this, Mr S set up a payment plan with monthly agreed payments towards his overdraft and credit card balances. I have listened to the call on 12 June on which the payment plan was set up and I note HSBC's comment that the agent wouldn't have been aware of any planned actions on the account or exact timeframe and that a payment plan can be set up, but this gives no guarantees that the collections process will be stopped. On the call Mr S is told that a payment plan will affect his credit score and he confirms he wants to set the payment plan up. Mr S makes it clear he wants an affordable way of clearing his arrears and getting use of his card back. It is explained that he hasn't been charged interest or charges on his card for a period of time and the amount of his arrears is set out. Mr S says he wants the payment to mean that no further action is taken and at this point I think it would have been reasonable for HSBC to have told Mr S that his account could still be defaulted.

Mr S was sent a letter confirming the payment plan which explained that Mr S wouldn't be able to use his credit card or make further payments from it and that during the payment plan period no interest would be added to his accounts. The letter also set out that as the payments Mr S was making were less than the monthly contractual amounts the arrears balance would increase.

So, I agree that Mr S wasn't made aware at the time he set up his payment plan in June 2023 that his account was about to default. However, prior to this, he had been sent a default notice dated 5 April 2023 which set out the situation on his account and the amount he needed to pay by a specified date to prevent further action being taken. Mr S didn't make this payment. He was then sent a final demand notice dated 14 June 2023. While I appreciate these letters were sent before the payment plan letter was issued, I still think they provided Mr S with warning of what would happen to his account if the payment wasn't cleared.

Therefore, in this case, while I agree that Mr S wasn't provided with the service he should have been in June 2023 when he set up the payment plan, I do not find that had he been informed that his account could default at that time that this would have changed the outcome. Mr S was unable to maintain his repayments and he had been on payment plans for an extended period. Therefore, on balance, I find that I cannot say HSBC was wrong to record the default.

In regard to the service provided, HSBC has paid Mr S £150 for the issues raised and taking everything into account I find that this is a reasonable resolution to this complaint. Therefore, I do not require HSBC to do anything further in response to this complaint.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 20 December 2023.

Jane Archer
Ombudsman