

The complaint

Miss P complains about HSBC UK Bank Plc recording a default on her credit file in relation to an overdraft on her current account.

What happened

By January 2022, Miss P's account had been overdrawn for around three months. HSBC contacted her about the outstanding balance, explaining how it could be repaid and setting out the potential consequences of non-payment within the timeframe it had given.

While Miss P made some payments towards the overdraft, she wasn't able to clear it fully as HSBC had requested. As a result, HSBC ultimately put the account into default and notified the credit reference agencies (CRAs) who recorded the default on Miss P's credit file.

Unhappy with HSBC's actions, Miss P complained to it. HSBC rejected the complaint, saying it was entitled to register the default as she hadn't satisfied the terms of its *'Final Demand'*.

Still unhappy with HSBC's response, Miss P referred a complaint to this service. Our investigator considered the complaint but didn't recommend that it should be upheld. They believed HSBC had acted fairly in recording the default as it had.

Miss P didn't agree with the investigator's findings. Among other things, she said there was *'evident connection between HSBC's numerous scandals and the treatment of its customers'*. She said HSBC had been involved in *'fraud, tax evasion, and other illicit activities'*. Miss P said it was unjust that defaults – such as hers – should remain on credit files for as long as six years.

As the investigator was unable to resolve the complaint informally, it was passed to me to review afresh.

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.

For the avoidance of doubt, I briefly wanted to address Miss P's comments about how HSBC operates, and has operated, in general and in relation to all its customers. In summary, there are limits to the powers this service has and the type of complaints we can consider. Although we can look at complaints from individual customers about products provided by certain financial businesses, we can't consider the general conduct of those businesses. We don't regulate the financial services industry in the UK, which is the role of the Financial Conduct Authority (FCA). So, I can't comment on many of the issues Miss P's raised in support of her complaint.

Having thought about the issues I can consider, I don't uphold this complaint. I'll explain why.

It's not in dispute that Miss P's account fell into an unarranged overdraft. The terms and conditions of the account, which I've reviewed, made clear that:

'All overdrafts are payable 'on demand'. This means that we can ask you to pay the money back straight away. Usually, though, we'll give you advance notice.'

I can see that HSBC didn't demand that Miss P pay the money back straight away. Instead, it wrote to Miss P on several occasions about the overdraft including:

- January 2022 – HSBC informed Miss P the overdraft wasn't being repaid in a reasonable time. HSBC asked Miss P to call it for help and explained that non-payment could lead to a default notice and a demand being issued which would be reported to CRAs.
- January 2022 – three weeks later HSBC told Miss P she owed £251.25. It asked her to get in touch for help.
- February 2022 – HSBC confirmed the amount payable and when payment was due by. It set out the consequences of not paying, which included any default being disclosed to CRAs, making it more difficult for her to borrow in future.
- April 2022 – HSBC issued Miss P with a demand for the outstanding amount – which, by then, she'd reduced to £205.56 – owed. It explained when payment was due and that failure to pay might lead to a default being disclosed to CRAs.

Overall, I think HSBC acted reasonably and sympathetically towards Miss P regarding the amount she owed. From what I've seen, HSBC gave her adequate notice that the account was overdrawn, tried to engage with her about arranging repayment, and warned her of the consequences of non-payment in full.

I recognise that Miss P feels a sense of injustice given, for example, the payments she made to reduce the balance and the amount she owed. But I believe HSBC was still entitled to register the default and notify the CRAs as it did. The amount Miss P owed doesn't alter this.

I'm sorry to hear from Miss P of the effects of the default on her and her financial situation. I realise the impact can be far reaching and that six years isn't an insignificant time for the default to remain on her credit file. However, I don't find that HSBC's treated her unfairly in the circumstances. And I'm glad to see HSBC's confirmed that, following Miss P clearing the balance, it would ensure the default was reported on her credit file as having been satisfied. I don't require it to do any more.

My final decision

For the reasons given, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 19 October 2023.

Nimish Patel
Ombudsman