

## **The complaint**

Mr L, a sole trader, complains that HSBC UK Bank Plc misled him regarding the arrears on a Bounce Back Loan (“BBL”) and refused to accept payment. He says this resulted in them unfairly transferring the loan to an external debt collection agency and recording a default on his credit file.

## **What happened**

Mr L took out a BBL in 2020 for £8,730. Under the terms of the scheme, no repayments were due for the first 12 months.

By February 2022, Mr L’s BBL was two months in arrears. The business had still not fully recovered from the impact of the pandemic, so Mr L phoned the bank to discuss matters.

During this phone call, a Pay as You Grow (“PAYG”) repayment holiday and term extension was set up. Mr L also offered to clear the arrears on the BBL by credit card payment, but the bank declined to accept this.

In August 2022, HSBC say they sent Mr L a default notice, requiring him to clear the arrears of £1,085 by 24 August 2022. This was followed by a final demand on 26 August 2022.

In September 2022, the bank transferred Mr L’s BBL to external debt collectors and recorded a default on his credit file.

Mr L complained. He said he didn’t get any correspondence between the phone call in February and a letter from the debt collection agency in October 2022. He said HSBC had refused to accept payment from him and told him to ignore messages about the arrears.

The bank didn’t uphold Mr L’s complaint. They said they’d sent several letters to him regarding the arrears, as well as a default notice and a final demand.

Mr L referred his complaint to the Financial Ombudsman. He felt he had been unfairly treated as he was willing to make up the arrears and continue with the monthly repayments due.

One of our investigators looked into what had happened, but didn’t recommend upholding Mr L’s complaint. She didn’t think the bank had done anything wrong.

Mr L disagreed and asked for an ombudsman to look at the matter again. He said the bank had told him to ignore all reminders about the arrears once the repayment holiday was in place and he hadn’t received any letters after that. He also said that at the time of the phone call, his only means of making a payment was by credit card, but the bank had refused to accept this.

## **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.

Having done so, I've reached the same conclusion as our investigator, for essentially the same reasons. I realise that will be a disappointment to Mr L so I'll explain why.

This complaint hinges largely on the lengthy phone call between Mr L and the bank in February 2022. I've listened carefully to the recording of this conversation. I understand that Mr L has also been sent a copy of this call.

On the subject of the arrears, HSBC didn't say that Mr L should ignore any future contact. The bank's representative emphasised that letters would still continue "because we're not agreeing a solution". He explained that he wasn't prepared to accept a credit card payment to clear the arrears, without going through an income and expenditure process to ensure that the payment was affordable. He also offered to put the account on a "seven day hold" while Mr L got together the necessary income and expenditure information so that an affordable plan could be agreed. Mr L didn't take up that option, but rather matters were left that he would arrange to clear the arrears when he had the funds.

I think the bank followed good practice in declining to accept a credit card payment – which is another form of debt – without knowing if it was affordable. Banks are required to lend responsibly and not to encourage customers to get into debt, so I don't think this was an error. Neither do I think Mr L was misled about the arrears. I think it was clear that the arrears remained an issue and needed to be cleared, either in full or by agreeing on a repayment plan. In my view, the bank's representative was very clear and he confirmed that Mr L had understood him.

Mr L has said that he then didn't receive any further letters until the one from the debt collection agency in October 2022. HSBC has sent us copies of the letters they say they sent in March and May, together with the default notice and final demand sent in August 2022. All were addressed to the address the bank held for Mr L – and the same address as the debt collection agency letter, which he said he did receive. These are standard letters and are automatically generated. I'm satisfied that it's more likely than not that they were sent.

It doesn't necessarily follow that correctly addressed letters will be correctly delivered. But I wouldn't consider it fair to hold HSBC responsible for the non-delivery of correctly addressed letters, given that the delivery of letters is undertaken by a postal service over which they have no control.

It was Mr L's responsibility as the borrower to make repayments as they fell due and keep on top of his obligations under the loan agreement. I also think that the phone call was clear that the arrears still needed to be cleared at some point. So Mr L knew that was the position regardless of whether the subsequent letters arrived. I therefore don't think the bank did anything wrong by passing Mr L's loan to the external debt collectors when he didn't clear the arrears or make any arrangement to do so. Neither do I think it was wrong to record the default on his credit file.

### **My final decision**

For the reasons set out above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 19 December 2023.

Louise Bardell  
**Ombudsman**