

The complaint

Mr D complains that HSBC UK Bank Plc wrongly registered a default on his credit card account.

What happened

In late 2022 after a change in the management of Mr D's credit card he decided to close the account and cancelled his direct debit instructions. Mr D said he usually paid the full statement balance, but the November 2022 payment was reversed because of the cancelled instructions. Mr D said as there were some ad hoc payments into his account at the same time he hadn't noticed that the payment had been reversed. He said he contacted HSBC about the outstanding balance, but they kept referring him to his online account which he said he no longer had access to.

Mr D said he wanted to make the payment but needed to know the amount he had to pay and so in February 2023 he'd requested paper statements so he could confirm this. Mr D said these didn't arrive. He said he called several times, but he didn't receive the statements until August 2023. In late August 2023 he said he was advised that HSBC would reduce the amount he owed by 10%, and that the repayment would be on hold for four weeks. In October 2023 Mr D said he discussed the repayment with HSBC and found his account had been defaulted and the impact this would have on his credit history. Mr D complained to HSBC as he didn't think it was fair as he'd been trying to pay the amount, but they'd failed to send the requested account statements to him.

HSBC said they'd tried to collect Mr D's November 2022 payment but couldn't as he'd cancelled his direct debit. They said they'd issued several arrears letters to Mr D. As he didn't make the required payment, they issued him with a default notice on 21 February 2023. Following this Mr D contacted them on 27 February 2023 and asked for a statement for his account. As the amount remained outstanding, a final demand was issued in March 2023, and a default was registered on Mr D's credit file in July 2023. HSBC said that Mr D would have been aware of the amount he owed from his October 2022 account statement and that the default had been applied correctly. They acknowledged that Mr D hadn't received a promised call back and offered Mr D £50 to compensate him for this.

Mr D wasn't happy with HSBC's response and referred his complaint to us.

Our investigator didn't uphold Mr D's complaint as she said HSBC hadn't acted unfairly or unreasonably in applying the default to Mr D's account.

Mr D didn't agree. He said he'd an exemplary credit history and had wanted to make the payment, but it was HSBC's failure in sending him the requested statements that had caused the delay in the payment being made. He asked for an ombudsman to decide.

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 can understand Mr D's frustration but having done so I'm not upholding his complaint. I'll explain why.

A default is when someone fails to meet certain financial obligations under an agreement. It is generally when the arrears have built up to an unacceptable level. Most often this is when the consumer is between three and six months in arrears.

It's not in dispute that Mr D was made aware that his credit card account with HSBC would end after 31 October 2022. Mr D had an online account as he'd opted for a paperless account. I haven't seen any evidence that Mr D had any issues with accessing his online account or paying the account balance prior to November 2022. I can also see that Mr D had used his credit card to make transactions in September and October 2022 so he would have been aware that there was a balance owing on his credit card account before he took the action he did to close the account and cancel the direct debit instructions.

I can see his October 2022 statement details his outstanding balance as being £1,538.33 and says the payment should be made by 12 November 2022. I can also see that it makes reference to the account closing and says:

"If your account does have an outstanding balance you will continue to receive monthly statements, and you should continue to pay as usual until its paid in full. If your account has a zero balance on or after 1 November 2022 it will be automatically closed – and you won't need to do anything."

HSBC's records show they attempted to collect the October 2022 statement balance of £1,538.33 on 12 November 2022. But the direct debit was returned unpaid, with the reason given that the direct debit had been cancelled by Mr D. An arrears letter was sent to Mr D the next day. As the account wasn't brought up to date an overdue payment letter was sent in December 2022. I can see HSBC tried calling Mr D in early January 2023, and another overdue payment letter was sent the same month. As HSBC didn't get a response, they sent a default notice on 21 February 2023 to Mr D. The default notice explains why it's being sent and what action Mr D needed to take. It also explains that if the payment wasn't made this would be disclosed to the credit reference agencies (CRA) and lists the CRA's that HSBC report to.

I can see that Mr D called HSBC on 27 February 2023. The record of this call shows Mr D asked to be sent his statement for the account. And it was agreed for the late fee and interest charges that had accrued to be refunded. Leaving Mr D with a balance to pay of £1,488.73. Although the record says the statement was sent Mr D said he never received it.

I can see HSBC tried to call Mr D unsuccessfully in early March 2023, and they issued a final demand letter in mid-March 2023. The final demand letter showed the outstanding balance on Mr D's account. And it reiterated that a default notice had been issued, asked Mr D to pay the full balance and provided a timeframe in which he needed to do this. And explained that: *"Details of any default will be passed to Credit Reference Agencies."*

I understand the main crux of Mr D's complaint wasn't that he couldn't pay the amount but that he wouldn't make the payment until he'd confirmed the amount he had to pay, and he said he couldn't do this as he didn't get the statements he'd requested.

I've listened to the calls Mr D had with HSBC and in one of the calls (8 November 2023) he says: *"...got the final demand but didn't see or aware of default"*. As outlined above if Mr D received the final demand letter as he said he did this would have shown the payment he

needed to make, and what would happen if the payment wasn't made. While I understand Mr D wanted the account statements, they would have only confirmed the amount the final demand had made him aware of. So, I think Mr D could have made the payment and prevented any default action from being taken.

As the payment wasn't made the default was registered with the CRA's in July 2023. A couple of days later HSBC sent a contact letter to Mr D. And he called HSBC on 27 July 2023. He again asked for statements. And later confirmed he did receive these. I can see that in August 2023 the balance was reduced by 10%, with Mr D given a further four weeks to pay the outstanding balance. He was also given the phone details for making the payment. In October 2023 Mr D was given the same contact details for him to call to make the required payment, and a further eight weeks for him to do this. I understand Mr D sees the reduction as a tacit agreement by HSBC that they did something wrong. But I think HSBC were trying to assist Mr D in settling his account without causing him financial distress which is what I'd expect a lender to do. I can see that the account was settled in November 2023. Some 12 months after the payment could have been made.

It's important that credit files are an accurate record of a person's financial history. This is because other lenders may rely on that information when making credit decisions. I can only ask HSBC to remove the default notification if there was evidence that HSBC made a mistake by registering Mr D's credit card account as in default. But I think HSBC clearly notified Mr D that they would default the account if he didn't make the required payment. I'm sorry to disappoint Mr D but I don't think the default on his credit card account was incorrectly registered as I don't think it was unreasonable for HSBC to decide it was his responsibility to ensure he made the agreed repayments to his credit card account.

HSBC has apologised for their failure in not calling Mr D when they said they would and have paid Mr D £50 to compensate him for this which I think is fair.

While I appreciate this isn't the outcome Mr D wanted, I hope he does feel some reassurance that I've carefully considered his complaint. But I don't think HSBC has acted unfairly or unreasonably in registering the default when they did.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 8 May 2024.

Anne Scarr
Ombudsman