

The complaint

Mr R complains that HSBC Bank Plc trading as First Direct did not appropriately notify him his account was overdrawn, and they reported adverse information to the Credit Reference Agencies (CRA's).

What happened

Mr R says that he switched his account from First Direct to a third party company. He says a direct debit debited his First Direct account prior to the switch which caused him to be overdrawn. Mr R says when the switch completed there was no notification from First Direct that the account remained overdrawn, and he assumed the account had been closed and the balance was nil. Mr R made a complaint to First Direct.

First Direct did not uphold Mr R's complaint. They said they received a request to inform them that he was switching out from First Direct on 25 October 2023, so they sent him a letter dated 17 October 2023 with important information about the switch. First Direct said that Mr R's balance was £0 at the time they sent the letter. But on 23 October £100 debited his account resulting in him being overdrawn.

First Direct said they asked him to make sure Mr R's account wasn't overdrawn on the day of the switch, unless he'd agreed with the new provider to transfer an overdrawn balance as this could mean they couldn't close his account with them. First Direct said if that happened, Mr R would need to repay the balance to them before they can close his First Direct account. They said they sent him a text message informing him that he had entered an unarranged overdraft on 23 October 2023. As he was overdrawn for over 30 days they reported this to the CRA's. Mr R brought his complaint to our service.

Our investigator did not uphold Mr R's complaint. She said it's evident that First Direct took proactive steps to inform Mr R about the status of his account. The letter sent to Mr R dated 17 October 2023, clearly outlined the possibility of the account falling into an unplanned overdraft and the implications for closure if not resolved. She said a text message was also sent on 23 October 2023, notifying Mr R of the account's overdraft status.

Mr R asked for an ombudsman to review his complaint. He made a number of points. In summary, he said it is unfair to expect that minimal communication before an event had occurred is sufficient. First Direct closed the account, left an outstanding balance and did not communicate with him to explain that they had closed the account, and he had a balance to pay, especially when he could no longer log in to view his account online as it had disappeared. He thought the text message was a hoax.

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.

Firstly, I'm aware that I've only summarised Mr R's complaint points. And I'm not going to respond to every single point made by him. No discourtesy is intended by this. It simply

reflects the informal nature of our service as a free alternative to the courts. If there's something I haven't mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point to be able to reach what I think is a fair outcome.

I can see that First Direct sent Mr R a communication regarding the switch on 17 October 2023. On this letter it says *"Please make sure your account isn't overdrawn on the day of the switch, unless you've agreed with (his new provider) to transfer an overdrawn balance as this could mean we can't close your account with us. If that happens, you'll need to repay this balance to us before we can close your first direct account"*.

So Mr R was told to make sure his account wasn't overdrawn on the day of the switch (25 October 2023). And I'm persuaded he ought to have been reasonably aware that his account was overdrawn on this date due to the text message that First Direct sent him at 7:37am on 23 October 2023 informing him that his account entered an unarranged overdraft. While Mr R may have thought this text was a hoax, as this text was sent to him two days before the switch was due to take place, it would be proportionate for Mr R to log into his account (which he should have been able to do prior to the switch) and he would have seen that he had entered an unarranged overdraft by £100.

In the event Mr R was unable to log into his account, then it would have been proportionate for him to contact First Direct, especially as his switch was due to take place shortly. But I can't see that he did this until December 2023.

I've considered what Mr R has said about First Direct closing the account, left an outstanding balance and did not communicate with him to explain that they had closed the account. But the letter was clear First Direct would not be able to close his account if his account was overdrawn (unless this had been agreed with his new provider).

Mr R's account was not closed on the switch date because he entered an unarranged overdraft by £100, therefore it remained open until 20 December 2023 as confirmed by his account statement and the credit file section he sent us which shows an end date of 20 December 2023. This is the date he made the £100 payment. So this is why First Direct didn't send anything about an account closure in October 2023, as they hadn't closed his account then.

Mr R also should have been reasonably aware that his account wasn't closed on 25 October 2023 – even if he couldn't access his account online. I say this because the letter dated 17 October 2023 it says *"Within 10 working days of closing your account, we're required to provide you with the last 5 years transaction history (or less if required). We'll be sending this by email unless you tell us you don't want it"*. So as First Direct didn't send him this email (and I've seen no evidence he asked them not to send this), then he should be aware the account wasn't closed.

I'm unable to ask First Direct to remove the information they registered with the CRA's as they have a duty to accurately reflect an account status. This is what they did here. So it follows I don't require First Direct to do anything further.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 27 May 2024.

Gregory Sloanes
Ombudsman