

## **The complaint**

Mr B complains about the way in which HSBC UK Bank Plc managed his account following an agreed payment break.

## **What happened**

In July 2022 Mr B filled in an income and expenditure form and spoke to an HSBC agent on the phone. Mr B confirmed his income and expenditure over the phone and told the agent he needed help with his loan repayments until his car payments ended in three months. The call was disconnected before an arrangement could be made.

HSBC called Mr B in August 2022 because he had missed a loan payment. During the call, the agent agreed a payment break. The agent explained that the arrangement could impact Mr B's credit file and advised him that it would be necessary to discuss his account after the arrangement had finished. Mr B said he understood the terms of the payment arrangement.

The payment arrangement ended in November. HSBC wrote to Mr B asking him to contact them to discuss repaying the missed payments and to review his circumstances.

Mr B says that HSBC had agreed when he spoke to them in September that he could make manual payments after the payment arrangement ended. He says he made a manual payment of £431 on 25 November 2022, but HSBC took a direct debit in December without his permission, and he couldn't afford both payments coming out each month, so he stopped making manual payments.

Mr B's direct debit payment was returned in December 2022 due to insufficient funds. HSBC sent a letter to Mr B advising him that the loan was in arrears. HSBC didn't hear from Mr B and on 5 January 2023 a Default Notice was issued. Mr B didn't pay the loan balance and on 20 February 2023 HSBC closed the account and transferred the debt to collections and registered a default.

Mr B complained to HSBC. He said he didn't think HSBC had given him enough help with his loan payments and he wanted the adverse information removed from his credit file.

HSBC didn't uphold the complaint. It said its collections process continued because no further plan was put in place to address the arrears following the payment break.

Mr B remained unhappy and brought his complaint to this service.

Our investigator didn't uphold the complaint. He said that when the payment break was agreed, the agent asked Mr B if he would be able to clear the four months of arrears and Mr B confirmed that he would. The investigator said that although Mr B made a payment in November, this wasn't enough to clear the arrears. The investigator said that the information provided to Mr B about what he needed to do once the payment break ended was clear and that HSBC hadn't made an error by defaulting the account.

Mr B didn't agree. He said he had agreed to repay the arrears, but no direct debit had been

set up, so he made a manual payment. Mr B said that HSBC then set up a direct debit without his permission and took a payment which he couldn't afford. Mr B says he asked HSBC to change the date of the direct to 28<sup>th</sup> of each month but instead of doing this they cancelled it and issued a default notice.

### **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 see that Mr B was already two months in arrears by the time the payment break was agreed. During the call in which the payment break was agreed, the HSBC agent asked Mr B to confirm that he would be able to clear four months of arrears once the payment break ended. Mr B confirmed that he would be able to make up the payments.

After agreeing the payment break on the telephone, HSBC wrote to Mr B confirming that the payment break had been set up. I've reviewed this letter. It states that the payment break doesn't change the terms of the loan agreement and that because no payments will be made to cover the contractual monthly amount during the payment break, the arrears balance will increase. The letter also says that when the payment break ends it's up to Mr B to contact HSBC to discuss his payment options to bring the account up to date.

I can see that HSBC sent another letter to Mr B shortly before the payment break ended. This letter stated that when the break ended, there was an outstanding balance to be repaid. The letter asked Mr B to contact them to review his financial situation.

I can't see that Mr B contacted HSBC when the payment break ended. However, I can see that he made a manual payment towards the loan on 25 November 2022. This payment wasn't enough to clear the four months of arrears which had accrued on the account. The system notes show that HSBC made attempts to contact Mr B by telephone at this time and sent him a letter advising him of the arrears on the account and the overdue amount he needed to pay.

I can't see that Mr B responded to the telephone calls or the letter.

I appreciate that Mr B has said that he intended to repay the arrears. However, Mr B hasn't provided this service with an explanation as to why he didn't contact HSBC once the payment break had ended to discuss his options. Mr B has said that he didn't receive the banks letters. I've reviewed these, and they are correctly addressed to Mr B so I think it's more likely than not that they were received. Even if the letters weren't received, this doesn't explain why Mr B didn't respond to the banks telephone calls. And even if Mr B didn't receive the letter and telephone messages, the letter sent following the agreement of the payment break makes it clear that Mr B needed to contact the bank once the payment break ended.

Mr B hasn't provided a plausible explanation as to why he didn't contact the bank to discuss how he was going to repay the four months of arrears. In the circumstances, I don't think HSBC acted unfairly or unreasonably by following its collections process.

Mr B didn't bring his account up to date in response to the default notice. Because of this, I'm unable to say that HSBC made an error when it reported the default to the credit reference agencies. Lenders are under an obligation to report a factual representation of a customers payment history in order that other potential lenders understand the customers financial situation and ability to repay credit. For this reason, I'm unable to ask HSBC to remove the default notice.

For the reasons I've explained above, I'm unable to uphold the complaint.

**My final decision**

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 17 January 2024.

Emma Davy  
**Ombudsman**