

The complaint

Mr J complains that HSBC UK Bank Plc defaulted his account and then sold it to a third party.

What happened

Mr J's joint account with HSBC was suspended in 2016 after he advised the bank of changes in his personal circumstances. Around this time, the account was in overdraft and the balance owed eventually increased to around £1,000. By September 2018, HSBC had defaulted the account and sold it to a third party.

Mr J says HSBC acted unfairly by doing so. He says he'd been in regular contact with the bank and he was given assurances that HSBC wouldn't take the steps it ended up taking. Mr J also says he was assured his credit report wouldn't be affected and that his offer to pay 50% of the debt was declined by the bank. Mr J is unhappy that HSBC's actions have resulted in him facing difficulties obtaining a mortgage.

HSBC says it wrote to Mr J requesting that the balance is paid or that contact is made to arrange a repayment plan. The bank says the account was passed to its own internal debt collection team in May 2017 and then sold to a third party in September 2018. HSBC says the account defaulted because neither account holder took steps to clear the balance and that there was no agreement between the bank and Mr J to prevent debt collection action.

Our investigator decided that HSBC had acted fairly. The investigator explained that both account holders are liable for the full debt, as per the terms of the account. So the bank didn't have to accept anything other than a payment for the full balance. The investigator also set out that he'd seen copies of the bank's letters, which were attempts to recover the balance that was owed and that there was no evidence that the bank had agreed to cease any debt recovery action. The investigator was satisfied that HSBC acted fairly when it defaulted the account and later sold it on.

Mr J didn't agree. He says he kept HSBC informed about his circumstances and feels the bank could've done more to recover the debt from the joint account holder. So the complaint has been passed to me to make a final decision on this matter.

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'm also of the view that HSBC acted fairly. I know Mr J will be disappointed, so I'll explain why.

I've seen copies of statements for the account in question and I can see that it was in overdraft around the time the account was suspended – and it stayed in overdraft up until the account was sold to the third party. HSBC's terms and conditions say that an overdraft is

repayable on demand. So I think it acted fairly when it requested payment of the overdraft balance.

I've also seen copies of letters HSBC sent Mr J, requesting repayment of the overdraft or that contact is made with the bank to arrange a repayment plan. Each letter sets out the balance owed and the action that could be taken if the balance isn't paid – including updating credit reference agencies, passing the debt to a debt collection agency or legal proceedings. The letters appear to have been sent periodically between 2016 and 2017 and HSBC says there were phone conversations in 2018 with both account holders – so I think HSBC did enough to inform Mr J that he needed to pay the balance that was owed.

Mr J says he was assured by the bank that it wouldn't take any debt recovery action. But as our investigator explained, the information I've seen doesn't corroborate that the bank provided this assurance. HSBC has completed additional searches on its system for calls Mr J may have made – but this hasn't revealed any results.

Mr J says he offered to pay half the balance that was owed so that the bank could pursue the joint account holder for the other half. But the terms of the account say that *“all of you together and individually are responsible for any money owed to us on the joint account”* and that the bank may *“demand repayment from all and any”* of the account holders. What this essentially means is that both account holders are equally liable for the full balance that was owed. So I don't think HSBC did something wrong when it declined Mr J's offer.

Mr J remains unhappy that the account was sold to a third party. However, HSBC's terms allow it to transfer all of its rights to a third party. It appears the debt went unpaid for around two years before the bank sold the account to the third party – so I don't think it was unreasonable for the bank to carry out this action. As our investigator mentioned, HSBC is required to provide accurate information to credit reference agencies. And given the duration the debt was left unpaid, I don't think it was unfair of HSBC to record the default either.

Mr J has been paid £75 compensation so far for other failings on HSBC's part. I think our investigator has already provided clear reasons why this has no bearing on the issues related to this complaint – so I won't be commenting on the compensation further.

For these reasons, I'm not upholding this complaint.

My final decision

I'm not upholding Mr J's complaint against HSBC UK Bank Plc. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 4 June 2021.

Abdul Ali
Ombudsman