

The complaint

Mr R is unhappy that HSBC UK Bank Plc suspended his credit account without providing reasonable notice.

What happened

In March 2019, HSBC sent Mr R a letter informing that his credit account was classified as being in state of persistent debt and which encouraged Mr R to make larger monthly payment towards his account if possible. This letter also explained that if Mr R wasn't able to increase his monthly repayments and his account continued to remain in a state of persistent debt, then HSBC may suspend his account in the future.

Following this letter, Mr R didn't make larger payments towards his credit account, and HSBC sent similar letters to Mr R in December 2019 and September 2020, with the last letter advising Mr R that if he didn't contact HSBC and make arrangements to take his account out of a state of persistent debt within 60 days that his account may be suspended. Mr R didn't contact HSBC within 60 days and HSBC suspended his credit account accordingly. Mr R wasn't happy about this, so he raised a complaint.

HSBC looked at Mr R's complaint, but they felt that they'd given Mr R fair notice that his account was in a state of persistent debt and might be suspended if it continued to remain in such a state, and as such they didn't uphold Mr R's complaint.

Mr R wasn't satisfied with HSBC's response, especially as he'd only received one of the three letters that HSBC sent him about his account being in persistent debt. So, he referred his complaint to this service.

One of our investigators looked at this complaint. But they noted that the letters that HSBC had sent Mr R complied with Financial Conduct Authority (FCA) requirements for credit providers in regard to accounts classified as being in persistent debt.

Our investigator also felt that these letters had provided Mr R with fair notice of the status of his account and the fact that his account may be suspended if it remained in a state of persistent debt, and so they also didn't uphold Mr R's complaint.

Mr R remained dissatisfied, so the matter was escalated to an ombudsman for a final decision.

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.

The Financial Conduct Authority considers that a credit account is in a state of persistent debt if the level of interest which accrues on that account is such that the monthly payments

made towards that account result in the customer paying more in interest and charges than they do towards paying off the capital balance outstanding on the account.

This can often be the case where a customer is paying close to the minimum payment required on the account, which can result in the customer repaying monthly interest but making little progress towards reducing the capital balance - meaning that the monthly interest payments just keep becoming due.

Because of concerns about the long-term viability of such situations for credit account holders, the FCA issued new rules surrounding how a credit provider must manage accounts that are considered as being in persistent debt. These rules came into force in March 2018 and include that a credit provider must send letters to persistent debt customers advising that they're in persistent debt and explaining the steps they can take to bring their account of persistent debt moving forwards.

These FCA prescribed letters should also advise customers of the potential consequences of the account remaining in a state of persistent debt, which can include the suspension of the account and the initiation of a payment plan designed to clear the full outstanding of the balance over a period of no more than four years.

HSBC contend that they followed the FCA rules surrounding persistent debt in this instance. They sent the requisite letters to Mr R, and when Mr R didn't make the higher payments necessary to take his account out of persistent debt, HSBC suspended Mr R's account and advised him of the payments he'd need to make to clear the full outstanding balance within four years.

Having reviewed the letters that HSBC sent to Mr R, I'm satisfied that HSBC were acting in accordance with the FCA persistent debt requirements, and as such I'm similarly satisfied that HSBC didn't act unfairly or unreasonably by suspending Mr R's credit account when Mr R didn't contact them or take steps to take his account out of a state of persistent debt by the time required of him in the letters.

I'm aware that Mr R doesn't feel that HSBC provided him fair notice of the possibility that his account may be suspended and contends that he only received one of the three persistent debt letters that HSBC sent. However, it's the responsibility of an account holder to monitor their account and it's notable that HSBC uploaded all three of these letters to Mr R's HSBC online account for his review.

Furthermore, given that Mr R has confirmed that he received at least one of the persistent debt letters posted to his address by HSBC, I feel that it was incumbent on Mr R to have acted on the information presented in that letter if he wanted to avoid the potential consequences as laid out in the persistent debt letters, all three of which referenced the possibility that his account may be suspended if it remained in a state of persistent debt.

All of which means I find it difficult to conclude that HSBC have acted unfairly or unreasonably here, and it follows from this that I won't be upholding this complaint or instructing HSBC to take any further action at this time.

I realise this won't be the outcome Mr R was wanting, but I trust that he'll understand, given what I've explained, why I've made the final decision that I have.

My final decision

My final decision is that 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 18 March 2022.

Paul Cooper
Ombudsman