

The complaint

Ms A complains that HSBC UK Bank plc assigned an outstanding debt to a third party and didn't contact her before doing so.

What happened

Ms A had a Graduate Account with HSBC. The account was overdrawn. Ms A says that in 2014 she was experiencing financial difficulties. At that time she entered into an arrangement with HSBC under which she agreed to make monthly repayments by standing order. She continued to do this from 2014.

Ms A says she contacted HSBC in or about 2016, and subsequently, to inform it of her new contact details. She says HSBC told her it couldn't update her details because her account was closed.

In June 2021, Ms A says she received a letter from a third party (M) in relation to the outstanding debt. She says HSBC had not informed her it had engaged M. She contacted HSBC and told it she wanted to settle the debt by making a payment direct to it. She also queried why HSBC hadn't contacted her about these matters. She says M was aware of her contact details and there was no reason why HSBC should not have tried to contact her. She complained to HSBC.

HSBC said it had now updated all its systems with Ms A's contact details. It said it had no records of any previous attempts to update her address.

HSBC investigated her complaint. It said her account had been closed in 2014 and in 2021 the balance was placed with M to work on its behalf. Initially M had acted in its capacity as a debt collection agency and HSBC subsequently assigned the debt to M in June 2021. HSBC said it could not recall the debt from M. HSBC said it had tried to contact Ms A by telephone and by letter in the period prior to June 2021. It had not been successful. It said it was legally entitled to sell or place a segment of its business with M.

In these circumstances, HSBC said Ms A would have to make the outstanding payment to M.

Ms A was not satisfied with this response. She referred her complaint to our service.

Our investigator looked into her complaint. She said that HSBC had sold Ms A's account to M. HSBC had tried to contact Ms A but its correspondence had been returned marked "gone away." There was no evidence Ms A had tried to update her contact details with HSBC. In these circumstances, HSBC was entitled to sell the account. She didn't think HSBC should have to take any further action to resolve the matter.

Ms A didn't agree. So, the complaint has been passed to me 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.

There is no dispute that there is an outstanding debt which Ms A will be required to pay. She says she is willing to repay that debt. But, she thinks she shouldn't be required to repay the debt to any party other than HSBC. She says that HSBC should have made greater efforts to contact her before it assigned the debt to M. If it had done that she says she would have repaid the outstanding balance immediately.

In 2014 HSBC defaulted Ms A's account. At that time she entered into a repayment agreement and she has continued to make the payments since then. She says she's had no contact from HSBC over the years. She says that because her account is closed any attempts to update her contact details such as her address and phone number, haven't been accepted by HSBC.

HSBC says it has no record of any attempts having been made by Ms A to update her contact details.

HSBC's records show that in or around 2017 correspondence it sent to Ms A's postal address was returned marked "gone away." It's not clear what action it took, if any, to try to get an up to date address for Ms A. Ms A says she also changed her phone number. HSBC says that because her account was closed she would have had to contact its Repayment Services team to update her details. Ms A would've had previous correspondence from that team and HSBC says the onus was on her to make sure her details were up to date.

I've thought about what both Ms A and HSBC have said here. In circumstances where Ms A had stopped receiving correspondence from HSBC I would've expected her to contact it to update her details. The parties disagree about whether she tried to do this.

In email correspondence to HSBC dated 17 July 2021, Ms A said she'd attempted to update her details at HSBC branches but had been told they couldn't update their systems because the account was closed. So, she was aware that her contact details hadn't been updated. She acknowledges she hadn't tried to phone HSBC because she says she didn't have her account details. But, I think it's likely that if she'd contacted the Repayment Services team, with whom she'd had previous contact, or if she'd explained to HSBC that her account was with that team, she would've been able to get her contact details updated.

I say this because, in 2021, after Ms A contacted HSBC and complained about what happened, HSBC did update her details. So, I'm satisfied, on balance, that if she had previously contacted it and provided full details about her account, it would have updated her address and phone number. And, having considered everything here, I'm not persuaded, Ms A did enough to make HSBC aware of her up to date contact details.

When HSBC tried to contact Ms A, in 2021, using the details it held on its records, it wasn't able to speak to her.

I can see HSBC still held an email address for Ms A. And, she's told us, she was able to access that email account – even though she says she rarely used it. She's told us that after M contacted her in June 2021, she checked the email account and was able to view the letter HSBC had sent her a few days earlier. That letter informed her the account had been assigned to M.

It is the case that where, as here, there is an outstanding debt, HSBC can assign that debt to a third party. It didn't require Ms A's consent to do that, but there are regulatory requirements that apply. So, for example, when selecting the third party to whom the debt is to be assigned HSBC is required to carry out robust due diligence and the party to whom the debt is assigned is required to give notice to the customer as soon as reasonably possible.

Having looked at what happened here, I'm satisfied, on balance, HSBC was able to assign the debt to M. M did contact Ms A to confirm that the debt had been assigned to it and it told her about the email HSBC had sent her on 2 June 2021. Ms A was able to access the email, six days after it had been sent to her. So, M informed her about the assignment and she was then also able to access the letter from HSBC. Having looked at the sequence of events, I don't think HSBC did anything wrong when it assigned the debt to M or that it acted unfairly or unreasonably.

Ms A says she's been mentally affected by what happened. She says she wants an apology and she wants HSBC to recall the debt from M so that she can make a direct payment to HSBC. I'm sorry to hear about how this has affected Ms A. But, I haven't seen any evidence to show that she's experienced any financial loss as a result of the transfer of the debt to M or that, because of the assignment, it is more difficult for her to make payments or clear the debt if that's what she wants to do.

Having considered everything here, although I know it will disappoint Ms A, I'm not persuaded it would be fair or reasonable to require HSBC to recall the debt from M. I don't require it to do anything further to resolve this complaint.

My final decision

For the reasons given above, I do not uphold this complaint about HSBC UK Bank plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms A to accept or reject my decision before 4 August 2022.

Irene Martin
Ombudsman