

## **The complaint**

Mrs H complains that HSBC UK Bank Plc didn't treat her fairly when defaulting her loan account and is unhappy with how it handled her request for help with her accounts.

## **What happened**

In March 2020 Mrs H contacted HSBC to say that she was concerned that her current account had begun to incur overdraft interest. This was because she was no longer an employee of the bank and so the staff marker on her account – which gave her preferential terms for her overdraft – had been removed. From her initial conversation with HSBC Mrs H understood that she had agreed to a repayment plan for her overdraft whereby she would pay £10 per month to her overdraft and interest and charges would be paused on all three of her accounts – her current account, her credit card, and her loan – in order to help her.

When HSBC wrote to Mrs H to confirm what had been agreed she was concerned to see that it appeared a payment plan had been put in place for her loan account and credit card as well as for the overdraft. It also appeared that her credit card had been suspended and her most recent payment to her loan had been returned even though funds were available to pay it. This wasn't what Mrs H was expecting so she got back in touch with HSBC.

During Mrs H's conversations with this second staff member HSBC again discussed details of her income and expenditure and determined that she had no current affordability to pay her overdraft, loan or credit card. As a result, HSBC said it would only be able to offer a plan whereby Mrs H wasn't required to make payments to any of these accounts for six months, but that this would mean interest and charges could be suspended on all three accounts. HSBC did though explain that this would affect Mrs H's credit file and could impact her ability to get credit in future. Ultimately, in this conversation with HSBC, Mrs H confirmed that she was happy to agree to this new plan as it would give her some breathing space. During this conversation HSBC also offered Mrs H £50 to recognise that the service she received when she had first called could have been better.

HSBC then wrote to Mrs H to confirm the plans that had been agreed, a separate letter was sent for each account. These letters confirmed that although HSBC would not be expecting payment from Mrs H to her accounts, its collections process would continue as normal and this would include accounts defaulting if an account went too far into arrears.

On 29 May 2020 HSBC issued a default notice to Mrs H regarding her loan account, this notice said that unless the arrears were cleared by 19 June 2020 then it would send a formal demand stating that the account would be closed and a default recorded with the credit reference agencies if the full balance of the loan was not repaid.

At this point, Mrs H contacted HSBC to complain, she said she had not been told that the plan she'd agreed to could lead to a default. HSBC responded to say that it was satisfied the default notice had been correctly issued.

On 29 June 2020 HSBC issued the formal demand and, as the outstanding balance of the loan wasn't repaid, in July 2020 Mrs H's loan account was closed, transferred to HSBC's recoveries department, and a default was recorded with the credit reference agencies.

Mrs H remained unhappy that her account had been defaulted and referred her complaint to us. Mrs H wants the default removed from her credit file.

Since then Mrs H has repaid her credit card and loan, in June and July 2021 respectively. No interest or charges were applied to these accounts from March 2020 until they were closed. Mrs H's current account remains open with an overdraft facility which Mrs H uses regularly, it appears that no overdraft interest or charges have been applied to this account since March 2020.

HSBC has also since made an offer to pay Mrs H an additional £150 compensation.

One of our adjudicators looked into Mrs H's concerns, she felt that HSBC hadn't acted unfairly in how it defaulted Mrs H's account. Mrs H disagreed, she maintains that HSBC didn't clearly explain to her that she was at risk of a default if she agreed to the repayment plan. As no agreement could be reached, the complaint was passed 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.

Having carefully considered everything, I don't think that HSBC has acted unfairly here. I'll explain why I think this is the case.

Mrs H feels HSBC didn't clearly explain to her that the plan she had agreed for her accounts could lead to a default being recorded on her credit file, but with all that I've seen I'm satisfied that ultimately it was made clear to her what the implications of the plan were. I agree that her initial conversation with HSBC was unclear, and also think that the potential for a default could have been more clearly explained on the second occasion that she contacted HSBC.

But even so, the letters that were then sent to Mrs H to confirm the plan she had agreed to made it very clear that there was the potential for a default to be recorded about any of her accounts if the arrears reached a certain level. Mrs H has suggested that she never needed a repayment plan for the loan and was pushed into this by HSBC, but even with the nil-payment plan she was on she could have continued to make payments to her loan if she could afford to. It appears though that Mrs H didn't make any payments to her loan, even after receiving the default notice which made it clear what would happen if the arrears weren't repaid. I also must bear in mind that the information HSBC had been given about Mrs H's circumstances indicated that she wasn't able to afford to maintain payments to any of her accounts, and that the loan wasn't repaid until a year after the default notice was issued.

All this suggests to me that Mrs H could not afford to maintain her loan, or her other accounts, and so the default would appear to be an accurate record of Mrs H's financial position at that time. If she could have afforded to meet the loan payments then it's not clear why she didn't when the repayment plan letter had made it clear that arrears could lead to a default.

With all this in mind, I think HSBC has acted fairly here in defaulting Mrs H's loan account how and when it did. So I won't be asking it to remove the default from Mrs H's credit file.

I also think that HSBC has treated Mrs H fairly overall in how it has responded to her financial difficulties. When told about her circumstances HSBC refunded some charges and interest, took steps to stop charges and interest on all of her accounts – I note that she still has an interest free overdraft facility now – and made sure it had details of her income and expenditure so that any repayment plans agreed were affordable. I appreciate that Mrs H thinks a different type of plan should have been offered to her, but in all the circumstances I think that what HSBC suggested in March 2020 was reasonable in light of the information it had at that time.

As I've said, I do think some of the information she was given on the phone could have been clearer, but HSBC has already paid Mrs H £50 to recognise that, and along with the additional £150 HSBC has offered since the complaint was referred to us, I think that is a fair way to settle this complaint.

I appreciate that this will be very disappointing for Mrs H, but this means I won't be asking HSBC to do anything more as I'm satisfied that what HSBC has already offered to do is fair.

### **My final decision**

For the reasons I've explained, I'm not upholding this complaint as I am satisfied that what HSBC has offered to do to put things right is fair. HSBC UK Bank Plc should now pay Mrs H the £150 it has offered to her if it hasn't already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 6 July 2022.

Sophie Mitchell  
**Ombudsman**