

## **The complaint**

Mr K complains that HSBC UK Bank Plc applied a persistent debt marker to his credit card without informing him and did not issue him a replacement credit card in 2019.

## **What happened**

Mr K applied for a loan in June 2020 but this was rejected. He was initially informed there was likely an error with the information he input on the application and was advised to wait seven months to apply again.

When he applied again the application was rejected for a second time, and he was told this was due to his credit card account not being up to date with payments. However, Mr K had consistently made the minimum payments on the account. He raised a complaint with HSBC.

HSBC sent a final response letter in June 2021 in which it explained it had sent Mr K letters about his credit card account being in persistent debt on 31 August 2019, 31 May 2019 and February 2020. These explained he had consistently been paying more interest and fees each month than he had paid towards the actual debt and gave him alternatives to deal with the debt. In the February letter, it explained it was suspending his account. And in December 2020, the decision was made to close the credit card account, but Mr K was still required to clear the debt.

It also explained his credit card was due to expire in November 2019, but on 1 November 2019 undelivered post was received from his home address. Which resulted in the renewal card not being issued. HSBC apologised for incorrectly advising Mr K that a renewal card had already been sent to him.

Mr K said he had never received the letters at his address, despite telling HSBC he had moved in October 2018. He referred the complaint to our service.

Our investigator looked into the complaint and found that the letters had been sent to the address HSBC held on file at the time so they felt HSBC had done enough to notify Mr K before closing his credit card account. They listened to the phone calls provided on the complaint and there was no record of Mr K chasing up a credit card on the account, but there were calls relating to a cheque book. He noted that there was no record of Mr K updating his address before 23 September 2019. As they did not think HSBC had made any errors, they did not uphold the complaint.

Mr K disagreed with this. He felt HSBC had not sent us recordings of all the telephone calls made over the last few years that related to the complaint. So he felt our decision had not been based on all the facts.

As an informal agreement could not be reached, the complaint has been passed to me 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 done so, I think HSBC has taken the steps I would have expected it to do, and I think it has acted reasonably in the circumstances. I'll explain why in more detail.

Firstly, I've considered if HSBC was correct to categorise that Mr K's account was in persistent debt. In 2018 the FCA issued rules for businesses to follow where a customer is in persistent debt. Persistent debt is when a customer has paid more in interest, fees and charges than they've repaid towards the capital they owe over the previous 18 months, and businesses should assess whether a customer falls within this definition at least once a month. The rules say, in summary, that where a business assesses that a customer is in persistent debt, they should write to them at the 18-month stage, the 27-month stage and the 36-month stage. The 36-month letter should set out options to the consumer for increasing their repayments, and if the consumer is unable or unwilling to increase their repayment the business should generally suspend use of the credit card.

HSBC has sent me Mr K's statements for his credit card account. These show that Mr K has consistently been paying more in interest, fees and charges than he has repaid towards the capital on his credit card account. And it has provided letters it sent to Mr K at the 18-month, 27-month and 36-month stages. These are the letters sent on 31 August 2019, 31 May 2019 and February 2020. And these correctly set out at each stage what Mr K needed to do to avoid being in persistent debt, and consequences of no action being taken.

Mr K has said he did not receive the letters, and I can see that he did move address. Mr K says he moved in October 2018 and notified HSBC at that point. HSBC has searched its internal system and can find no mention or request from Mr K about his address being updated around that time. The first mention of the change in address is during a telephone call in September 2019, which is when HSBC did update the address on their system. From the evidence I have available, I think HSBC sent the letters to the registered address on file, as I would expect it to.

I also note that the first 18-month letter was sent to Mr K's old address in August 2018, prior to him moving. And the third letter was sent to his new address in February 2020, after he updated it. So, I think he should at least have received these letters. Overall, I think HSBC sent the letters as I would have expected them to, so I don't think they have made an error in the circumstances.

Mr K's credit card was due to be renewed in November 2019, however there was an issue with the November statement being delivered so they made the decision not to send out the credit card. I think this was reasonable as the decision was made to protect the security on Mr K's account. HSBC has said that they incorrectly informed Mr K a new credit card was on its way to him, and they have apologised for this. I appreciate Mr K says he chased this, however we only have telephone recordings of him chasing a cheque book. Mr K feels some phone calls are missing and have not been sent to us. But taking into account that the last purchase Mr K made on the account was in March 2017, over two and a half years before the credit card was due to be renewed, I think it's unlikely not having a card significantly impacted him.

As per the 36-month letter, Mr K's account was suspended in February 2020 and was then closed in December 2020, though Mr K is still required to pay off the debt. I can see Mr K telephoned HSBC in October 2020 and had a conversation about a loan being declined. I do think it could have been picked up on and explained at that point that Mr K's account was in

persistent debt and had been suspended as a result, but as he was calling about a separate issue I can understand how this was missed. But I have to consider that even if it was explained at that point that his account had been suspended, as Mr K has said he could not afford to pay more at that point I don't think the closure of his account could have been avoided.

Ultimately, Mr K was in persistent debt on his credit card account and I think HSBC followed the correct process in providing information to Mr K on alternative ways to get out of persistent debt. And when no action was taken by Mr K, they suspended and then closed the account, which I think is reasonable. Having looked at Mr K's credit file, I can't see his credit card account being in persistent debt has negatively impacted it. I do think HSBC could have been clearer on the phone about the account being in persistent debt and it being suspended. But as I explained above, the account had already been suspended and Mr K was not in the financial position to pay more at that time, so I don't think clearer information would have changed this.

### **My final decision**

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 12 January 2023.

Rebecca Norris

**Ombudsman**