

The complaint

Mr P complains that HSBC UK Bank Plc (HSBC) didn't replace his credit card.

What happened

Mr P had a credit card from HSBC. The limit was £3,200. Between August 2021 and May 2022, Mr P was struggling with his finances and there were several late, missed payments and overlimit situations on the card. On 12 November 2021, HSBC sent Mr P a default notice. This asked for payment of £434.96 by 3 December 2021. He paid in £450 on 29 November 2021. On 23 March 2022, HSBC sent him another default notice. That asked for payment of £297.98 by 14 April 2022. Mr P paid in £400 on 31 March 2022. HSBC decided to block Mr P's card and not send him a renewal card – it had expired.

Mr P complained. He said he paid in the amounts that were due and therefore the card shouldn't have been stopped. He had been struggling because of the pandemic and HSBC should've been more lenient as a result. He said he was supporting members of his family during the pandemic and that had led to pressure on his finances. He said he hadn't been advised the card was to be withdrawn.

HSBC sent two final responses. In June 2022, they said they couldn't understand why Mr P's card had been blocked and ordered a replacement. In October 2022, after Mr P contacted HSBC again, they sent a second response. This said the replacement card had been stopped because of how Mr P had used the account. They said they'd sent letters to Mr P about missed payments on 12 August 2021, 7 September 2021, 12 December 2021, and 12 January 2022. A default notice was sent to him on 12 November 2021 and on 23 March 2022. They said that Mr P hadn't been meeting the terms and conditions of the credit card – because of the missed payments. Therefore, they took the decision to stop the card when it expired in February 2022.

Mr P brought his complaint to us. Our investigator said HSBC acted reasonably. Mr P had been regularly over his credit limit or had missed payments between August 2021 and April 2022. This was a breach of the card's terms and conditions, and HSBC could therefore stop the card – as there was a risk of non-payment. However, she said HSBC had made an error in their first response in June 2022 -which said they couldn't say why the card had been stopped and told Mr P a new one had been ordered. For that, she said HSBC should pay compensation of £75.

Mr P didn't agree. He said he hadn't been offered an affordability assessment by HSBC and should've been - he had been struggling due to the pandemic. And he repeated that he had paid in the amount needed in response to HSBC's letters. He said HSBC should have been aware of the effect of the pandemic on customers and taken a different course of action.

Mr P asked that an ombudsman look at his complaint. So – it has come to me to make 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.

I've looked at what happened here. It's fair to say that Mr P frequently missed making the minimum monthly contractual payments to his credit card and went over the limit several times. Our investigator set that out – and I've checked that her analysis was correct:

Statement 13 July 2021 – min. payment of £80.99 due by 9 August 2021 (not paid) and over limit by £19.38

Statement 12 August 2021 – min. payment of £112.20 due by 6 September 2021 (not paid) and over limit by £222.38

Statement 10 September 2021 – min. payment of £113.49 due by 5 October 2021 (not paid) and over limit by £113.49

Statement 12 October 2021 – min. payment of £114.99 due by 8 November 2021 (not paid) and over limit by £114.49

Statement 11 November 2021 – min. payment of £90.87 due by 6 December 2021 (paid) and over limit by £434.96

Statement 13 December 2021 – min. payment of £86.44 due by 7 January 2021 (not paid) and over limit by £53.53

Statement 12 January 2022 – min. payment of £105.14 due by 7 February 2022 (not paid) and over limit by £126.13

Statement 10 February 2022 – min. payment of £104.91 due by 7 March 2022 (not paid) and over limit by £202.87

Statement 14 March 2022 – min payment of £111.32 due by 8 April 2022 (paid) and over limit by £307.78

Statement 12 April 2022 – min. payment of £89.37 due by 9 May 2022 (not paid) and within credit limit

Statement 11 May 2022 – min. payment of £87.79 due by 6 June 2022 (paid) and over limit by £74.37

I can see that HSBC were concerned that Mr P wasn't managing his credit card very well and wrote to him a number of times about missed payment and the overlimit positions. I couldn't see that Mr P contacted HSBC because of those letters – sent on 12 August 2021, 7 September 2021, 10 September 2021, 12 December 2021, and 12 January 2022. In those circumstances, because of the general way in which Mr P ran his account, I think it was reasonable for HSBC to consider he was becoming a higher risk - and he had broken the terms and conditions of the card.

I looked those and they say: *"There are times when we might refuse to authorise a transaction, cancel or suspend use of the account or refuse to replace or reissue a card. This could be where we reasonably consider it's necessary for any of the reasons set out below....We believe there's a significantly increased risk that you won't be able to repay any money you owe us."* So – HSBC could cancel the card. I say that because from the way in

which Mr P had run his account – HSBC were concerned that they weren't going to get repaid.

Mr P has argued that he paid in what was asked for by the two default notices sent to him in November 2021 and March 2022. The first default notice dated 12 November 2021 asked for payment of £434.96 by 3 December 2021. He paid in £450 on 29 November 2021. On 23 March 2022, HSBC sent him another default notice - that asked for payment of £297.98 by 14 April 2022. Mr P paid in £400 on 31 March 2022.

So – I can see what Mr P is saying – that he paid in what was needed in each case. But what that did – was to avoid HSBC taking any further action. If Mr P hadn't paid the money in, HSBC would likely have defaulted the account and placed a default marker on his credit file – which would've been in place for six years. That would've meant Mr P would have difficulty getting credit. But they didn't – as Mr P paid in the amount asked for. HSBC confirmed to us that no default was registered.

But – having paid in the amount needed to avoid the default, Mr P continued to again make late payments and go over his limit. In December 2021, January 2022 and February 2022, Mr P missed making the minimum payments again. And the April 2022 payment wasn't made either – after the default had been avoided in the previous month.

In short, while Mr P managed to avoid the worse consequence of a default, the general running of his account caused HSBC to take the action they did - which was to stop the card. Which, in the circumstances, was a reasonable thing to do.

Mr P has said he wasn't offered a financial affordability assessment – to see if HSBC could help him. But I could see that HSBC wrote to him on 21 March 2022 and offered that. The letter said *"We're sorry you're having trouble keeping up with your monthly payments and there's still an overdue amount on your account... It's important that you make contact with us, so we can understand your current financial situation and work with you to find an appropriate solution based on your circumstances. When you call, we'll complete an affordability assessment over the phone, if you haven't already done this...."*

I also listened to the call Mr P made to HSBC on 12 May 2022 – and HSBC's call handler offered an assessment then, but Mr P didn't want to do one. So - HSBC did try to help, as we would expect them to. I think it's reasonable for me to say that if Mr P had responded to HSBC's letters, it's likely they could've completed an assessment and considered a payment plan with Mr P.

I've gone on to consider whether HSBC should've advised Mr P that his card was cancelled. Ideally, they would've written to him to say that. But on balance, because of the number of letters, plus the default notices that were sent to Mr P, I don't think HSBC needed to. I also noted that HSBC's terms and conditions don't say they need to do that.

HSBC made an error when they sent their first response to Mr P - as they said they couldn't see why the card had been cancelled. And they then put things straight in their second response. But I agree HSBC should pay compensation of £75 for that error.

But other than that, I think HSBC acted reasonably in the circumstances of Mr P's complaint – and therefore, my decision is that HSBC should just pay compensation of £75.

My final decision

I uphold this complaint. HSBC UK Bank Plc must:

- Pay compensation of £75 for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 31 March 2023.

Martin Lord
Ombudsman