

The complaint

Mr M complains that HSBC UK Bank Plc unfairly recorded a default on his credit file.

What happened

In 2016, Mr M was added as a joint account holder to his brother's existing bank account with HSBC. The account had been open since 2012.

In March 2022, Mr M said he received a letter addressed to his brother from HSBC. He opened it and found out that the joint account was overdrawn. Mr M said that was the first time he'd seen anything to do with the account since he joined it. He repaid the outstanding balance in full.

Mr M complains that HSBC has not administered the account properly and that as a result he didn't receive any communication about the account. That meant he did not know about the account or that it was overdrawn. So his credit file has been affected. Mr M said that his credit card limit was reduced as a result of the default, he couldn't remortgage a buy-to-let and that he couldn't proceed with a motor finance agreement.

When Mr M complained, HSBC paid Mr M £50 and agreed to remove any adverse information from his credit file relating to the joint account.

Our investigator thought that HSBC should pay Mr M a further £150 to reflect the distress caused to Mr M by what happened.

HSBC accepted what the investigator said. Mr M did not. He said that the mortgage offer had been agreed and it was only the information recorded by HSBC that meant it couldn't go ahead. Any previous compensation was only for the difficulty he experienced when initially contacting HSBC and does not take into account the delays in HSBC's response. The £150 does not reflect the huge costs he incurred now and going forwards – all due to HSBC's actions

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 agree with the investigator that HSBC has made errors here – and that the outcome she has proposed is fair.

When Mr M was added to the joint account, he signed a mandate agreeing to be jointly and individually liable for any debt incurred on the account. The evidence provided by HSBC shows that Mr M completed the forms I would expect to see to do so. There is no evidence that the account was opened incorrectly – apart from one thing:

The application shows that Mr M's brother signed that there was no requirement for statements to be sent to both account holders. It would appear this was meant to be signed (if they agreed to that) by the person being added to the account, which was Mr M. So it looks like there was an error or some avoidable confusion when the account was set up – and that meant statements weren't being sent to Mr M.

In saying that, Mr M must have known that he'd opened an account. Although I do understand how he might have forgotten about the account, there was a reasonable expectation that he would check it from time to time.

The account went overdrawn in November 2021. I agree that it would have been reasonable for HSBC to contact both account holders when this happened. But I also think it was reasonable for HSBC to record that the account had gone overdrawn on Mr M's credit file. It could only notify him once that had happened – so there was always going to be some adverse information on his credit file.

HSBC has provided evidence that it wrote to Mr M at his address regarding the overdraft on 28 January 2022 and 1 March 2022. Both letters are correctly addressed to Mr M – not his brother, as he said.

I consider that HSBC could have written to Mr M sooner than it did. Although I have to take into account that it did write to Mr M in January 2022 and Mr M did not take any action. Mr M may not have received that letter – or he may have overlooked it bearing in mind he'd forgotten about the account. But that was not as a result of an error by HSBC.

I agree that HSBC took too long to fully respond to Mr M and that it could have communicated with Mr M sooner than it did. But it isn't responsible for the overdrawn balance or for holding Mr M responsible for that. And it is entitled to record information about how the account was conducted on Mr M's credit file. Even if HSBC had sent statements to Mr M, he would not have known there was a problem until the account was already overdrawn. The best outcome for Mr M would have been to pay the overdrawn balance as soon as possible after receiving a statement showing the overdraft.

Putting things right

Where a business has acted unfairly or unreasonably, we look to put the affected party back in the position they would have been had it acted fairly and reasonably. But I think the position Mr M ended up in was solely as a result of HSBC's mistakes.

HSBC has already agreed to remove all adverse information it recorded on Mr M's credit file. That might be further than I would have gone, for the reasons set out above. The account went overdrawn and HSBC was entitled to record that on Mr M's credit file. At best, Mr M could have repaid the overdraft earlier – but there still would have been some record of it on his credit file. HSBC has removed the adverse information and it should honour that.

Mr M did not act on HSBC's letter of January 2022. There might be good reasons for that. But it is not as a result of any error by HSBC.

Mr M has explained the financial impact of the adverse information recorded by HSBC. But I've found that even in the best-case scenario for Mr M, the account would have gone overdrawn and he would have found out when he received the statement. By then the overdraft would have appeared on his credit file. We don't have the evidence to show that the mortgage lender would not have withdrawn the offer in any case – and I note this was a non-binding buy-to-let mortgage where the lender had a greater degree of latitude to withdraw the funding.

I'm afraid the same applies for the credit card limit. Lenders take into account a number of factors in their decisions about who to lend to and how much to lend. There may have been factors other than the information recorded by HSBC that led to those decisions. As I've said, if HSBC had acted correctly, there still would have been some adverse information. I don't see how I could reasonably conclude that the reduction in the limit was solely a result of HSBC's mistake.

In respect of the car finance. Mr M said his existing car finance was due to end in October 2022 and he would need to arrange a new contract, pay off the balance or hand the car back. He said because of the adverse information, his wife had to take out a loan to repay the balance. But HSBC agreed to remove the adverse information in August 2022. And in any event, it's not clear that Mr M has suffered a financial loss in respect of the car finance.

I agree that HSBC hasn't handled this matter as well as it could have. It should have done more to contact Mr M over the life of the account and should have contacted him sooner once the account went overdrawn. I note what Mr M has told us about the impact of this matter on him. But those issues arise largely out of the fact he'd entered into a joint account arrangement where he was jointly and severally liable for any debt on the account. The lack of communication from HSBC meant the debt wasn't repaid for a few months and added to his distress. And I can see the worry caused to Mr M by thinking things might have been different if HSBC had sent him statements. But overall I consider a total payment of £200 (£150 on top of the £50 already paid) is fair in the circumstances.

My final decision

My final decision is that HSBC UK Bank Plc should pay Mr M £150 in addition to the £50 it has already paid and the removal of the adverse information it recorded on Mr M's credit file in relation to this matter.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 2 February 2023.

Ken Rose
Ombudsman