

The complaint

Mr S complains that HSBC UK Bank Plc approved card payments that put his basic bank account into an unarranged overdraft. Mr S also complains that HSBC unfairly closed his account and recorded a default on his credit file.

What happened

Mr S had a bank account with HSBC, there was no overdraft facility. A car hire company went on to charge a number of card payments to Mr S' current account that took his account into an unarranged overdraft of around £1,000.

HSBC went on to contact Mr S and asked him to repay the unarranged overdraft balance. In the period that followed, Mr S spoke with HSBC on a number of occasions and explained his income had been impacted by the pandemic. HSBC gave various periods of breathing space between 2020 and 2022 and went on to agree a payment plan with Mr S. But in February 2022 HSBC sent Mr S a final demand that asked him to clear the outstanding balance in full. When the balance wasn't cleared, HSBC moved to close the account and recorded a default on Mr S' credit file.

Mr S complained and said HSBC shouldn't have approved payments that took him into an unarranged overdraft. Mr S also raised concerns that his account had been closed and a default recorded. HSBC sent Mr S a final response but didn't agree it had made a mistake or treated him unfairly. HSBC said the card payments were approved in line with the account's terms and conditions. And HSBC said it had tried to support Mr S while he was experiencing financial difficulties but had correctly moved to close his account.

An investigator at this service looked at Mr S' complaint. They thought HSBC had dealt with Mr S' complaint fairly and didn't ask it to do anything else. Mr S asked to appeal, so his complaint has been passed to me to make a 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 understand Mr S' account with HSBC didn't have an associated overdraft facility. But HSBC has pointed to the account terms and conditions. They say:

An unarranged overdraft is for emergencies. Without you asking in advance... we let you borrow money for something specific. This includes where we let you borrow for a particular payment or charge, or have to return a payment that was paid into your account. You must get your account back in credit, or within arranged overdraft limit, as soon as possible. And you must always do this within 31 days if we've allowed it for a particular payment.

Whilst I understand there was no arranged overdraft, there was provision within the terms and conditions that confirmed HSBC may approve payments that can cause an unarranged overdraft to be caused. Here, a car hire company took payments from Mr S' debit card that

were authorised. And HSBC took the decision to approve them, in line with its terms and conditions. So whilst I understand Mr S is unhappy the payments were approved, I'm satisfied HSBC acted in line with the terms and conditions that governed how the account operated. I haven't been persuaded that HSBC made a mistake or treated Mr S unfairly.

HSBC's terms and conditions say an unarranged overdraft should be cleared within 31 days. But Mr S has explained he experienced financial difficulties during this period as a result of the pandemic. Where a customer experiences financial difficulties, we'd expect a business to take that into account and treat them positively and sympathetically. There's no set criteria for how a business should proceed but providing additional time, considering alternative repayment options or ensuring interest and charges are limited are all options that can be used.

I've looked at the timeline for Mr S' case and can see that between 2020 and 2022 HSBC discuss the account with him on various occasions. When Mr S gave information about his circumstances, HSBC agreed to provide more time and suspend collections activity. HSBC also reviewed Mr S' income and expenditure information on various occasions to try and get an understanding of his circumstances. I understand there were genuine reasons why the balance wasn't cleared. But I'm satisfied HSBC did provide positive and sympathetic support to Mr S over a reasonably sustained period.

I can see repayment plans were put in place and that Mr S did reduce the outstanding balance over time. But I note HSBC's letter sent to Mr S in February 2022 confirmed that whilst a payment plan had been put in place its recovery process would continue. And HSBC went on to issue default and final demand letters to Mr S asking him to clear the balance in full to avoid default. That step wasn't taken until March 2022, after a reasonably long period giving time for Mr S to repay the outstanding balance.

Mr S has told us he didn't receive HSBC's default and final demand letters. I've looked at the available letters and can see all are correctly addressed. Whilst I understand Mr S doesn't recall receiving the letters, I'm satisfied they were sent by HSBC as claimed. And I'm satisfied the letters were sent after a reasonable period was given to repay the outstanding balance.

As Mr S wasn't in a position to clear the balance, I'm of the view it was reasonable for HSBC to review his account and take the decision to close it. I accept that led to a default being recorded on Mr S' credit file, but I'm satisfied it accurately reflects the circumstances under which his account was closed.

I'm very sorry to disappoint Mr S but as I'm satisfied HSBC dealt with his complaint fairly I'm not telling it to take any further action.

My final decision

My decision is that I don't uphold Mr S' complaint.

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

Marco Manente
Ombudsman