

The complaint

Mr B complains that HSBC UK Bank Plc unfairly recorded a default against him.

What happened

Mr C held a credit card with HSBC. In October 2020, a payment holiday was agreed for the credit card as Mr B's circumstances had been affected by the COVID pandemic. It appears this payment holiday was then backdated to cover the three months from March to May 2020, although it does not appear that Mr B was aware of this as he was not receiving correspondence to his home address.

Mr B says he received no further correspondence about this account, and no payments were made to the account after January 2020. In August 2022 the account defaulted.

In September 2022 Mr B became aware of the default when it was flagged by a potential employer. Mr B contacted HSBC to say that he had been unaware of any default and to ask for the default to be removed from his credit file.

HSBC acknowledged that correspondence regarding the credit card had not been sent to Mr B's home address, but instead to the address of a property he held an HSBC mortgage on. Initially, it said that it would be able to reinstate the credit card and remove the default, but when Mr B said he would need to agree a repayment plan to clear the arrears, HSBC decided that the default would need to remain. It did though offer Mr B £250 to compensate him for poor service he had received in raising his concerns.

Mr B was unhappy with how HSBC had responded to his complaint, so he referred his concerns to our service.

One of our Investigators looked into what had happened, they felt there had been failings on HSBC's part, specifically that it had the correct correspondence address for Mr B and so should have sent correspondence about the account and the default to that address. However, they did not feel that the default itself could have been avoided, given the way the account had been managed and Mr B's circumstances. In fact, they felt the default should have happened much earlier – in October 2020 – and so recommended that HSBC backdate the default to that date and refund any interest and charges applied after October 2020. And they felt that the compensation offered by HSBC – £250 – was fair in the circumstances.

Mr B disagreed, he says that his financial difficulties were caused by the COVID pandemic and that he was not aware of the status of his payment holiday or of what was happening with the credit card account, so he was not given the opportunity to agree any further repayment plan. He maintains that it is therefore unfair for a default to be recorded.

As no agreement could be reached, this complaint has been passed to me for review.

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've reached the same conclusion as our Investigator and for the same reasons.

I appreciate that Mr B may not have been fully up to date with what was happening with his credit card account, given that correspondence was not being sent to his home address. But the fact remains that he was aware he had agreed a payment holiday for a limited period of time, and did not then go on to make any more payments towards the account. Monitoring the account was Mr B's responsibility, and he would have known that he had a large outstanding balance which he had not been making payments towards.

In total, Mr B did not make payments for over two years before the account defaulted, and other than the agreement about the payment holiday in October 2020 I've seen nothing to show that he made further attempts to discuss the account or to agree a way forward. And given that Mr B has said he would need an extended period to repay the outstanding balance, I don't consider it unfair or unreasonable for the default to remain on his credit file.

Our Investigator recommended that HSBC backdate the default to October 2020, and refund any charge or interest applied after that date, as by that stage Mr B had not made payments to the account for six months (excluding the payment holiday period). And I think that is fair in the circumstances of this complaint.

I appreciate that Mr B feels the COVID pandemic is the cause of his financial difficulties, but a credit file is supposed to accurately reflect how an account has been managed, and I'm satisfied that – with the amendment detailed above – what HSBC has recorded does accurately reflect how Mr M has managed this account.

I do consider that the service provided to Mr B could have been better here. HSBC could have done more to contact Mr B about the account, and could have made it clearer in its initial response to him that it would only be able to remove the default if he could substantially reduce the arrears immediately. But I'm satisfied that the £250 HSBC has offered is fair compensation for any poor service provided.

I know this will be disappointing for Mr B, and I understand his strength of feeling here, but I won't be asking HSBC to remove the default that has been registered.

Putting things right

To resolve this complaint HSBC should:

- Backdate the default recorded for Mr B's credit card account to October 2020;
- Refund interest and charges applied to the account from October 2020 onwards; and
- Pay Mr B £250 compensation.

My final decision

I uphold this complaint. HSBC Bank UK Plc should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 24 August 2023.

Sophie Mitchell
Ombudsman