

The complaint

Mr M complains that HSBC UK Bank Plc blocked his accounts for an extended period of time, meaning he was unable to repay the outstanding balance of a credit card, leading to a default being registered on his credit file.

What happened

Mr M held several accounts with HSBC. In early 2020 his current account was closed by HSBC, meaning that a direct debit for his HSBC credit card was cancelled. Because no arrangement was then made to maintain payments to the credit card, a default notice was issued for the credit card in June 2020.

Mr M contacted HSBC in July 2020 to complain that his current account had been closed and the direct debit cancelled. HSBC looked into that complaint and issued a final response on 12 August 2020 where it explained that it felt it had acted reasonably in closing the current account and cancelling the direct debit, HSBC did though offer to pay Mr M £50 to recognise some poor service he'd received on the phone. We've already explained to Mr M that he did not refer any complaint about those issues to us in time, so I won't be addressing the closure of the current account or cancellation of the direct debit any further in this decision.

Mr M says that over the following year or so he was unable to make any payment to clear the outstanding credit card balance as his savings accounts – where he had available funds – were blocked. Mr M says he called HSBC repeatedly during this period to try to unblock his accounts but that no help was forthcoming. And as no payments had been made towards the credit card, it ultimately defaulted in September 2021.

In November 2021 Mr M spoke with HSBC and it arranged for a payment to be made from his savings account to the credit card, Mr M then paid of the full outstanding balance in January 2022.

Mr M says that if HSBC had acted on his many phone calls and had unblocked his accounts earlier then he would have been able to repay the outstanding credit card balance and avoid the default, which he says is now significantly affecting his ability to take out a mortgage. Mr M raised these issues with HSBC and it looked into what he had said, but did not agree it had done anything wrong, it explained it had sent him numerous letters regarding the outstanding balance and the default process. HSBC has since also told us that Mr M's online access to his accounts was not blocked at any stage.

Mr M referred his complaint to our service and one of our Investigators looked into Mr M's concerns. They felt it was fair for HSBC to have defaulted Mr M's account in the circumstances – although they did feel the default should have happened much earlier, in around July 2020 when Mr M's account had been in arrears for 6 months. They said there was no evidence to show that Mr M's accounts had been blocked, that he'd been made aware of the need to make payments to the credit card, and that HSBC had previously offered to make a manual payment for him in July 2020 so he would have been aware that this was possible.

HSBC agreed with these findings, but Mr M remained unhappy, he maintains that his access to his savings accounts was blocked, that he did not receive letters regarding the credit card, and that he was offered no help with making a payment to the account until November 2021, after it had already defaulted.

As no agreement could be reached Mr M's 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 conclusions as our investigator and for largely the same reasons.

I've seen records of extensive correspondence between HSBC and Mr M over the period in question. This included numerous letters setting out that he needed to arrange to make payment to his credit card and the consequences of no payment being made.

Mr M says letters were sent to his online banking, which he says he did not have access to. But HSBC has confirmed that letters were sent directly to his home address, and I've seen evidence to show that when they were sent to his online banking, on a few occasions, they were followed up with letters to his home address if the online mailbox was not opened. So I'm satisfied that Mr M was made aware of the status of his credit card account and the need to make payment. These letters also set out several ways in which payment could be made to the credit card.

Mr M says that he repeatedly contacted HSBC to say he could not access his online banking to make payment, but I have not seen evidence to support that. I can see several phone conversations took place during this period, and while I don't have recordings of those calls I do have contemporaneous notes taken by HSBC at the time of each conversation, so I'm satisfied that those notes will reflect what was discussed.

I can see that in July 2020 Mr C called HSBC to discuss the closure of his current account and the direct debit for his credit card being cancelled. During this call HSBC offered to make a manual payment for Mr M to his credit card, but he said he did not want to do so at that time. So I consider that it would have been clear to Mr M that HSBC could make a manual payment for him if he wanted it to.

I've also listened to the call that took place in November 2021, when HSBC did make a manual payment for Mr M. Mr M says that during this call HSBC admitted that his account had been blocked, but I don't agree that is the case. During this call HSBC set up a manual payment for Mr M from his savings account to his credit card, and confirmed that now the payee was set up Mr M would be able to make payments himself going forwards. HSBC also reissued him with a security key as he said he did not have one at that stage. So it seems that to make a payment to his credit card Mr M needed HSBC to set up the payment in the first instance. But that's not the same as his account being blocked, and as noted, HSBC had previously offered to do this manual payment back in July 2020. I don't agree that this call suggests that any errors had been made previously in how HSBC had handled things.

Overall, I can appreciate Mr M's frustration, but I do consider that HSBC had made it clear to him that a debt was outstanding, had set out what he could do to repay that debt, and had offered to make a manual payment for him as far back as July 2020. So I don't consider that it was unfair for HSBC to default the account when no payment had been made.

Mr M has said that he was repeatedly told HSBC was investigating but that he never received any information regarding the outcome of any investigations. But I can see that HSBC issued three final response letters to Mr M, setting out its findings on his concerns. And the notes I've seen don't suggest there were any other instances where he was told that an investigation was ongoing.

Our Investigator noted that HSBC should have defaulted the account much earlier than it did, and HSBC has agreed to backdate the default to July 2020, I consider that is reasonable in the circumstances. And overall, I'm satisfied that HSBC did what it needed to make Mr M aware of the debt and to provide options for him to repay it, so I won't be asking HSBC to do anything more.

Putting things right

To resolve this complaint HSBC should update Mr M's credit file to reflect what would have happened if the credit card account had defaulted in July 2020.

My final decision

I uphold this complaint in part, HSBC UK Bank Plc should put things right in the way I've set out above, if it has not done so already

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 8 June 2023.

Sophie Mitchell
Ombudsman