

The complaint

Mrs S complains that HSBC UK Bank Plc (HSBC) defaulted her account.

What happened

Mrs S had a credit card from HSBC. In 2022, she was made redundant and couldn't easily find another job. She ran into financial difficulty and in January 2023, HSBC agreed a payment plan for six months, with reduced payments. As part of this, HSBC agreed that a demand for payment would not be made, and a default wouldn't be applied to Mrs S' credit file.

There were some issues with setting up the plan, for which HSBC apologised and paid compensation of £20.

But – in February 2023, a letter of demand was sent and the account was defaulted. The default was registered at credit reference agencies (CRAs). In March 2023, HSBC agreed to remove the default and paid compensation of £20.

In March 2023, Mrs S' account was again referred to a debt collection agency (DCA) and a default was registered on her credit file. HSBC agreed to put this right and remove the default. HSBC offered to increase the compensation by £110 – to a total of £150. Mrs S didn't accept this and brought her complaint to us.

In May 2023, our investigator said there had been multiple errors by HSBC. This led to a poor customer experience for Mrs S. She had also notified HSBC that she was vulnerable and so the effects of HSBC's errors had an additional impact on her – and affected her health.

Our investigator said HSBC should pay further compensation of £410 – a total of £450. And should take immediate action to remove the default from Mrs S' credit file, and ensure her account was brought back from the DCA.

HSBC agreed with the recommendation, as did Mrs S. But then, because of HSBC recalling the account from the DCA, a default was advised to the CRAs again. But HSBC had monitored this and then advised the CRAs to remove the default on 17 July 2023. Because of this, HSBC paid additional compensation of £100. So - £550 in total.

Throughout this time, Mrs S had been reasonably monitoring the effect on her credit file. And she could see that in July 2023, it still showed a default – so she asked that an ombudsman look at her complaint. So, it has come to me to do that.

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 was sorry to learn of Mrs S' personal circumstances and the difficult time she's been going through. I hope things are getting better for her now.

It's not in dispute that:

- HSBC agreed not to make formal demand or default Mrs S' account when they agreed to the payment plan in January 2023.
- HSBC made several errors:
 - o In February 2023, a letter of demand was sent and a default notified to the CRAs. HSBC agreed to correct that and paid compensation of £20 (in addition to £20 paid in January 2023 when the plan was set up).
 - o In March 2023, a further default was registered at the CRAs. HSBC apologised and offered compensation of another £110, as well as removing the default from Mrs S' credit file. Mrs S didn't accept this offer.

Our investigator issued her view in May 2023 – which said the default should be removed, the account taken back from the DCA and compensation of a further £410 paid (in addition to £40 already paid). Both HSBC and Mrs S accepted this.

But then, in July 2023 – the process of HSBC bringing Mrs S' account back 'in house' caused a default to be advised to the CRAs again.

HSBC told us that this was a consequence of moving Mrs S' account back in house – and to be fair to HSBC, I've seen that HSBC were aware this may happen, were monitoring the situation, and had taken action to delete the entry from Mrs S' credit file. I've seen the evidence this was done - in July 2023.

But throughout, Mrs S has been monitoring her credit file – and she believes HSBC are continuing to give a poor service and not do what they said they would. And she could see that in July 2023, the default was still showing on her credit file.

But – as our investigator has advised Mrs S – it can take up to six weeks for a credit file to be amended. That's not because HSBC have been slow or haven't done what they said they'd do – it is simply that credit files at CRAs take that amount of time to update – banks send a monthly update of information to CRAs (it's not a 'real time' adjustment). So – I'm not surprised that the July 2023 change wasn't immediately shown. But because of this latter issue, HSBC paid a further £100 compensation.

So overall, after some errors, Mrs S' credit file should now be clear of HSBC's default marker, the letter of demand set aside and her account is being managed 'in house' by HSBC.

So – this complaint now comes down to what is a fair amount of compensation for HSBC to pay. They've paid £550. Our service has set down some criteria for assessing compensation payments. This says that an award of up to around £750 might be fair where the impact of a business's mistake has caused considerable distress, upset and worry – and/or significant inconvenience and disruption that needs a lot of extra effort to sort out. Typically, the impact lasts over many weeks or months. I think this fairly describes Mrs S' experience here.

I appreciate that Mrs S is vulnerable and is in financial difficulty, and she's shown that she was caused a lot of anxiety and upset by what happened. But I'm satisfied that here, payment of compensation of £550 for what happened is in line with what our service would expect to see, and so this decision confirms that.

For completeness, the decision also sets out that HSBC should ensure the defaults are

removed from Mrs S' credit file and the account is taken back from the DCA.

My final decision

HSBC UK Bank Plc has already paid £550 to settle the complaint and I think that is fair in all the circumstances.

HSBC should also ensure the default is removed from Mrs S' credit file, and her account brought back from the debt collection agency to be managed in-house.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 26 October 2023.

Martin Lord
Ombudsman