

## The complaint

Mr M complains that HSBC UK Bank Plc defaulted his personal loan account.

## What happened

Mr M took out a personal loan with HSBC UK Bank Plc ("HSBC") in 2017. In 2020, Mr M agreed a payment break with HSBC as he had fallen into financial difficulties. He then entered into several payment arrangements to pay reduced amounts each month with the latest one being set up in June 2022. This arrangement was for Mr M to pay £449.96 for three months with the final agreed payment being made in August 2022.

Mr M says he was told by HSBC that he'd be contacted once the payment plan ended to discuss next steps for September onwards, but this didn't happen. He then spoke to HSBC by phone on 31 August 2022 asking whether the plan was still in place. HSBC told him at this point that his account had been closed on 24 August because the plan had ended, and a final demand letter had previously been sent to him in February 2022.

Mr M complained to HSBC, but they didn't uphold this. They said they'd sent an arrears letter to him on 3 August 2022, but Mr M didn't call until later in the month, by which time they'd closed the account.

Mr M referred his complaint to us. Our investigator upheld it. He said he hadn't seen sufficient evidence that HSBC had sent Mr M the final demand letter in February 2022 as the copy letter they'd sent to us showed an obscured, incorrect post code. So, our investigator felt HSBC hadn't given Mr M proper notice of their intention to default his account. He recommended that HSBC remove the default and pay Mr M £500 for the distress and inconvenience this matter had caused him.

HSBC didn't agree and said the copy of the final demand letter they'd sent to us showed the obscured, incorrect post code because of formatting issues they had when they tried to send this to us. They sent screen shots of the letter showing Mr M's correct post code and said they had sent all requisite letters to him about what would happen to his account if payments weren't made.

Our investigator didn't feel the further evidence HSBC had sent changed his mind, so HSBC asked for an ombudsman's decision.

I issued my provisional decision on this complaint on 22 September 2023, in which I said the following and which forms part of my final decision:

*'I've summarised what's happened between Mr M and HSBC rather than going into detail on the full events that have occurred. For example, I note that Mr M has said that HSBC made a number of errors in taking payments from him for the various payment plans that had been in place. I've concentrated on what I think are the key considerations of this case but can assure Mr M and HSBC that I've considered all the evidence they've provided so far.'*

*I'm not currently inclined to say, as our investigator did, that Mr M's complaint should be upheld because the final demand letter of February 2022 likely wasn't sent to him. It's possible HSBC did send this to Mr M using his correct address details, including his post code. Their explanation as to why we had been sent a copy of this with an obscured post code seems plausible and I note that Mr M said in his complaint form that he'd received a default notice at the start of 2022.*

*However, I'm not currently satisfied with how HSBC dealt with the end of Mr M's payment plan in August 2022. This plan was agreed by both parties, and it was clearly understood that the final payment under this would be paid in August 2022. I think, having considered Mr M's testimony, he always intended to engage with HSBC after that point to see what further options and support HSBC could offer him. I don't believe his intention was to simply stop paying or engaging.*

*I've seen the arrears letter HSBC sent Mr M on 3 August 2022, which was the day after the last payment under the plan was made. That letter asked Mr M to contact them to discuss what they could do to help him 'get back on track'. There was no mention that HSBC would close the account and default this if Mr M didn't contact them. While HSBC may say that they didn't have to set this out, because the final demand letter of February 2022 had done so, on a purely fair and reasonable basis I find that simply closing the account without further warning or a further, final effort to engage with Mr M wasn't reasonable.*

*I note also that the letter HSBC sent to Mr M in May 2022 agreeing to the payment plan said that Mr M should contact HSBC once the final payment had been made. It didn't set out when that should have been and, in fact, Mr M did contact HSBC about this on 31 August. I appreciate HSBC may feel that that Mr M didn't act quickly enough following the letter of 3 August. But, as I've said, I think Mr M always showed an intention to engage with HSBC about how to pay down his loan account and simply defaulting this following one arrears letter with no warning on what would happen if he didn't contact them, isn't fair and reasonable in my view.*

*I don't know what likely would have happened had Mr M and HSBC engaged before the loan account was closed. But I haven't been persuaded that HSBC would have simply defaulted and closed this without considering a further payment plan. Nor have I been persuaded that Mr M wouldn't have been able to agree something with HSBC that he would have adhered to.*

*So, I currently find that HSBC's actions in closing the account and defaulting it wasn't a fair or reasonable thing to do. I intend therefore to direct HSBC to remove the default and pay £500 to Mr M for the distress and inconvenience this matter has caused him. If they have not already done so, HSBC should engage with Mr M to ascertain the most appropriate and fair way to continue to repay this debt.*

*My provisional decision*

*I uphold this complaint and currently intend to direct HSBC Bank UK Plc to take the actions I've set out above'.*

*I asked Mr M and HSBC to send any more comments and evidence for me to consider.*

*Mr M replied saying my provisional decision was balanced and reasonable but wanted to add that he'd been promised a call back from HSBC in August 2022, but this didn't happen. Mr M also said HSBC had told him his account wouldn't be sent to their collections team or*

placed in default. He asked whether I could instruct HSBC to fix their internal systems so no-one else could end up in the same position as he did.

HSBC replied saying that the most likely outcome had Mr M and HSBC engaged before the loan account was closed was that it would have been defaulted even if a new repayment plan had been agreed. They also said it was unreasonable to expect HSBC to continue giving Mr M additional time to get his payments back on track indefinitely and that they offered a lot of support to him with this. HSBC said the account was defaulted correctly and it was unethical to ask them to remove this entry from the credit reference agencies.

### **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'd like to thank both parties for their replies to my provisional decision.

In respect of Mr M's comments, I confirm that I did take this into account when I reached my provisional decision but overall, what I will ask HSBC to do to put things right is fair in my view. I am unable to ask HSBC to fix their internal systems as he has requested as my decision focuses solely on his complaint and the circumstances surrounding that.

I note that HSBC still feels they acted reasonably. I am still however not persuaded that they definitely would have defaulted Mr M's account upon further discussion around August 2022. I accept this was a possibility but to my mind it's still only that. I do agree that HSBC offered Mr M support on several occasions. However, my concern is still around how they then defaulted Mr M's account with no warning. I don't accept that a default notice from some month's prior was sufficient warning that Mr M had to do something to prevent the default from happening. And while HSBC is correct to say that the information recorded with credit reference agencies should be accurate, it should also be fair. And on this occasion, and for the reasons I set out in my provisional decision, I don't find that this was done fairly.

I've not been persuaded to change the findings I reached in my provisional decision. For that reason, and for the reasons given in that decision and in my final decision, I still find that Mr M's complaint should be upheld.

### **Putting things right**

HSBC should instruct the credit reference agencies to remove the default they have recorded for this account and pay Mr M compensation for the distress and inconvenience this matter has caused him.

### **My final decision**

I uphold this complaint and direct HSBC UK Bank PLC to:

- Instruct the relevant credit reference agencies to remove the default for Mr M's loan account; and
- Pay Mr M £500 for the distress and inconvenience this matter has caused him.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 3 November 2023.

Daniel Picken  
**Ombudsman**