

## The complaint

Mrs W complains HSBC UK Bank Plc have unfairly reported negative information on her credit file in relation to her overdraft.

## What happened

In October 2022 Mrs W switched her account from HSBC. She says she didn't realise this would mean her overdraft would be classed as 'unarranged' and then reported to be in arrears with the credit reference agencies (CRAs). On 16 November 2022 Mrs W called HSBC to put an arrangement in place – and she says it was agreed she'd pay £16 per month over six months. This wouldn't pay off her overdraft but was what she could afford and hoped to make overpayments. HSBC reported these payments as late payments, and Mrs W says on the phone call she was told she didn't need to act on any letters unless she couldn't make her £16 a month payment.

HSBC said they'd listened to the phone call on 16 November 2022 – and in it Mrs W was told to contact HSBC when they sent letters to her. They added they'd said if Mrs W wasn't able to make the payment then her account might be sent to their Repayment Services department, and this would result in a default being registered which lasts for six years. HSBC said they'd send Mrs W the call but didn't think they'd done anything wrong.

Unhappy with this Mrs W asked us to look into things. One of our Investigators did so and found HSBC hadn't done anything wrong.

Mrs W didn't accept this, reiterating her understanding was she didn't need to call HSBC about the letters. Mrs W also provided some information she was given by HSBC in July 2023 which said *"We advised you that you don't need to take any action on the default notice or final demand as we didn't expect you to be able to repay the balance"*. As Mrs W didn't accept what our Investigator said, the complaint's been passed to me to decide.

## 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.

As a starting point I need to explain I can only require HSBC to remove any negative information if I'm satisfied they've made an error.

From the information I have Mrs W switched her current account from HSBC leaving her around £1,750 overdrawn. As Mrs W was closing this account, it immediately became an unauthorised overdraft. Overdrafts are repayable on demand when someone closes their account – meaning HSBC could reasonably ask for repayment of the whole balance immediately.

It's clear Mrs W didn't know this was going to happen, but I've seen nothing to suggest this was HSBC's fault – so from that perspective I can't require HSBC to do anything further.

Mrs W has focused on the call on 16 November 2022 as being the reason she's ended up where she has. She's said in the call she was clearly told she could ignore all contact from HSBC unless she couldn't meet her repayments. She's also mentioned an email she received in July 2023 – but as the call in November 2022 is before the event, that's where I've focused my attention.

So, I've listened to the call.

The call starts with Mrs W asking if she can pay off the overdraft monthly, and then HSBC gathering information about her financial circumstances.

At around one hour and 13 minutes HSBC's agent explains based on Mrs W's financial circumstances she can only afford £16 a month. HSBC's agent explains Mrs W won't receive any calls from them about this account either.

At one hour and 17 minutes Mrs W asked if this would impact her credit file. The agent says Mrs W is in an unarranged overdraft due to the account switch. This is being reported to the credit reference agencies (CRAs) and now she's got an arrangement in place it'll be reported as though she's got an arrangement in place. The agent adds he can't say exactly how much of an impact it would have.

At one hour and 19 minutes, the agent explains Mrs W might get automated letters. The first letter will be a 'pre-demand notice' letter asking her to repay the full balance and give a deadline. The second letter is a 'final demand notice' and will be sent once the deadline expires from the earlier and tells her to repay the full balance otherwise a default will be applied.

This part of the conversation continues until one hour and 23 minutes, and the agent reiterates several times during this if Mrs W received the pre-demand or a final demand notice she needs to call HSBC to review her circumstances. Mrs W acknowledges this. At one hour and 26 minutes the agent is reading from a script, which reiterates Mrs W needs to repay the overdraft within the timeframes given in the letters. The agent explains you won't receive a default if you receive those letters, it's only if the account closes.

At one hour 29 minutes the agent says Mrs W isn't required to get in touch during the arrangement period, however should the situation change or she's unable to pay the amount agreed she needs to get in touch. If the agreed payment amount isn't received they'll try and contact her to assess the situation. And she'll be sent a letter prior to the expiry of the payments to reassess the situation at that point. The agent asks Mrs W if she's got any questions and she says no.

I think this may be where the confusion has potentially been caused. Mrs W says she was told she didn't need to reply to the letters. I don't agree with that, as I can hear she was told she needed to. But here I think what the agent was saying was, essentially, the issuing of the letter by itself doesn't mean the account would be defaulted. What the agent needed to add, was simply 'the account would only be defaulted if you don't clear the balance'. But, given the agent had said this twice already, I can see why they didn't feel the need to explain it for a third time.

I have noted Mrs W's reasons for not getting in touch with HSBC – the first being she didn't think she needed to, the second she had a major life event around the time of the first letter. I don't think either of these events prevented Mrs W from getting in touch with HSBC.

And as I said before I could only ask HSBC to remove any negative information on Mrs W's credit file if I were satisfied they'd made an error. Here, I'm not. They told Mrs W on several occasions she needed to contact them if she received a pre-demand letter and a final notice letter. And, as she didn't, I can't say HSBC did anything wrong.

### **My final decision**

For the reasons I've explained above I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 15 March 2024.

Jon Pearce  
**Ombudsman**