

## **The complaint**

Mr E complains that his loan was defaulted and closed at a time when he had an agreement in place with HSBC UK Bank Plc.

## **What happened**

Mr E entered into a loan agreement with HSBC in 2019. In July 2022 Mr E entered into a long term no affordability plan for six months. The account was reviewed in January 2023.

Mr E says that he entered a second plan in January 2023. He says he contacted HSBC several times between January and April 2023 asking for a letter confirming this. Mr E says that HSBC advised him that because of his plan, no demand for repayment would be made until the plan ended in July 2023.

In April 2023 Mr E received a default notice and a final demand. He contacted HSBC and raised a complaint. Mr E said he'd been led to believe that he didn't need to make any payments until July 2023. He requested an extension of time to pay the sum demanded in the default notice (£2,509.62).

Mr E's loan account was closed on 12 May 2023.

Mr E brought his complaint to this service. He said that if he'd been provided with a letter confirming his second plan, he would have understood the terms and conditions of the plan. He felt that HSBC had treated him unfairly by not giving him enough time to pay the default sum and by misinforming him that he didn't need to make any payments until the second repayment plan had expired.

Our investigator didn't uphold the complaint. He said HSBC had allowed a reasonable amount of time before defaulting the account.

Mr E didn't agree. He said that HSBC had admitted that it had made an error by not sending out details of the LTNA. He said that just because there were arrears on the account didn't mean that he couldn't make any loan repayments. He also said that HSBC hadn't given him enough time to pay the default sum before requiring payment of the full amount outstanding.

## **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've reviewed the loan account and the system notes. I can see that in July 2022 HSBC spoke to Mr E and established that there was long term no affordability (LTNA). A letter was issued to Mr E confirming this. In the letter, HSBC explained that it would contact Mr E again in six months. It explained that arrears would continue to accrue on the account. The letter also gave details of the next steps in the collections process, including the issuing of a default notice and final demand.

I've listened to a call between Mr E and HSBC in January 2023. The call established that

there was still long term no affordability (LTNA). During the call the agent detailed the next steps in the collection process, including the issuing of a default notice and a final demand. Following the call, HSBC sent a LTNA letter to Mr E dated 30 January 2023. This is the letter which Mr E says he didn't receive.

I can see that Mr E contacted HSBC on 4 April 2023. He said he'd agreed a plan in January. HSBC re-issued the LTNA letter dated 30 January 2023.

On 18 April 2023 HSBC issued a final demand. A letter of complaint was received from Mr E on 4 May 2023 in which he said he still hadn't received the letter dated 30 January 2023 and that he wanted a further month until 4 June 2023 to repay the arrears of £2,509.62. On 8 May 2023, as the final demand hadn't been satisfied, HSBC closed the account and registered a default and transferred the account to repayment services.

HSBC issued a final response to Mr E's complaint on 12 May 2023. It advised Mr E that the account had already been passed to HSBC repayment services and that the loan had been closed.

Having reviewed everything, I'm not persuaded that HSBC has made an error in its collections process. I'm satisfied that Mr E was fully informed of the long term no affordability process during the telephone call dated 24 January 2023, including the issuing of a default notice and a final demand.

I appreciate that Mr E has said that he didn't receive the LTNA letter dated 30 January 2023 when it was first sent. My understanding is that when HSBC re-issued this letter in April, it sent it to Mr E digitally (rather than by post) in error. HSBC has acknowledged that it made an error here, not by failing to send the letter dated 30 January 2023 (which it says it did) but by re-sending it digitally. It has paid £50 compensation for this error which I think is fair.

Based on what I've seen, I don't think the fact that Mr E didn't receive the LTNA letter dated 30 January 2023 means that there was an error in the collections process. Nor do I think that Mr E has been treated unfairly. HSBC had already sent a LTNA letter to Mr E in July 2022 and this clearly explained the next steps in the collections process, which included the issue of a default notice and final demand. So, I'm unable to say that HSBC didn't take reasonable steps to make Mr E aware of the collections process.

Mr E has said that he doesn't think he was treated fairly because he wasn't given enough time to pay the arrears, and his request for more time was refused. I've thought about this. However, the loan account had been in arrears since July 2022. I'm satisfied that HSBC allowed Mr E a reasonable amount of time to bring the account up to date. By January 2023 Mr E still wasn't in a position to make repayments. There's no obligation on a lender to extend time for payment. The fact that long term no affordability had been established doesn't mean that HSBC shouldn't have followed its collections process. I'm satisfied that HSBC made it clear to Mr E what the next steps in the collections process would be.

I understand that Mr E is disappointed that his loan was closed. However, for the reasons I've explained above, I'm unable to say that HSBC has made an error, or that it has treated Mr E unfairly.

### **My final decision**

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 16 April 2024.

Emma Davy  
**Ombudsman**