

## **The complaint**

Mr P complains that HSBC UK Bank Plc reported an overdue debit balance on his credit file following its decision to close his bank account.

## **What happened**

Mr P had an account with HSBC. In February 2023, HSBC closed Mr P's account. Mr P says he asked for an explanation on multiple occasions, but HSBC wouldn't give him one. Mr P made a separate complaint about the closure of his account which HSBC responded to separately in March 2023, so I won't be looking at this further in this decision.

In the meantime, HSBC asked Mr P to repay the outstanding balance on his overdraft – and has recorded negative information about the debt on Mr P's credit file. But Mr P says he was told that as the account was under review he was not permitted to pay off the overdraft – and so didn't do this until November 2023, when he referred the complaint to us.

Our investigator looked at everything that had happened. He thought the complaint should be upheld in part. He found that HSBC had told Mr P that he couldn't make payments towards the outstanding overdraft during a call in August 2023. To put things right, he recommended HSBC remove the late payment markers from that point onwards, and pay Mr P £100 to reflect the trouble and upset this caused.

Mr P didn't agree. He thinks a fairer amount would be £10,000 as a deterrent and for what he's described as the emotional turmoil HSBC caused. HSBC said it was willing to accept the investigator's opinion as a gesture of goodwill, but notes that it tried to discuss things with Mr P on multiple occasions – it says Mr P refused to make a payment to the account unless HSBC first removed the negative entries from his credit file. So HSBC doesn't think the incorrect information it gave Mr P would have changed his position.

As the investigator couldn't resolve things informally, the complaint has been referred 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.

The terms and conditions that applied to Mr P's account said that overdrafts are repayable "on demand". This means HSBC could ask Mr P to repay the money straight away. This was reflected in the correspondence HSBC sent Mr P when it closed his account. In its closure letter of 16 February 2023, HSBC said that the overdraft facilities had been withdrawn and it would be making a formal demand for full repayment of any and all debt owed to the bank shortly. In March 2023, HSBC wrote to Mr P telling him he needed to urgently repay the outstanding balance. HSBC then wrote to Mr P in April, May and June asking him to contact them to discuss an arrangement to repay the outstanding balance.

Mr P also had several calls with HSBC. In summary, Mr P told HSBC that until they gave him

an explanation of why they closed his account, he wouldn't be able to engage with them – and on a number of occasions Mr P ended the call without discussing the debt.

But during a call in August 2023 Mr P asked HSBC to remove the negative credit information it had added to his credit file. During the call HSBC told Mr P the account remained under review – and that they'd look at the negative credit information as part of this review. Mr P told HSBC that he was happy to repay the overdraft the same day provided HSBC was willing to wipe the negative credit information. The call handler from HSBC tried to contact a number of colleagues. She told Mr P that they wouldn't be able to edit the negative credit markers and that they wouldn't be able to make a repayment towards the overdraft while the account remained under review.

With all this in mind:

I'm satisfied HSBC was entitled to demand the immediate repayment of the overdraft when it closed Mr P's account. I note HSBC contacted Mr P by letter and telephone in an attempt to arrange this. But Mr P was unwilling to discuss this with HSBC without first knowing why they'd closed the account.

While I can understand why Mr P wanted to know more, that doesn't change his obligation to repay the overdraft. Where HSBC closes an account in these circumstances it doesn't have to give reasons and nor would it be appropriate for me to tell HSBC to share its reasons with Mr P. Mr P knew he had an outstanding balance on the account, and the letters HSBC sent him warned him that failure to repay this would affect his credit file.

As such, I can't say HSBC acted unfairly when it first recorded adverse information on Mr P's credit file. This was a debt that was due and payable, and HSBC is required to make sure the credit file fairly and accurately reflects the status of the debt. Given Mr P refused to discuss the debt when contacted, I cannot say HSBC was wrong to do this.

That said, during the call in August Mr P said he was willing to make an immediate payment to repay the balance in full. I acknowledge that Mr P said this was subject to HSBC removing the adverse credit information from his record. But equally, I note that when HSBC told Mr P in November 2023 that he could in fact repay the debt at a branch Mr P did so within a few days. During the call in August, Mr P was incorrectly told he couldn't repay his overdraft. I find it most likely that Mr P would have repaid the debt in full had he been given the correct information during the call in August.

For these reasons, I uphold the complaint.

I've thought about what HSBC needs to do to put things right. As I've said, HSBC contacted Mr P a number of times to arrange repayment of the debt but Mr P refused to discuss this with them. So I can't hold HSBC responsible for that.

But if things happened as they should have done Mr P would have repaid the overdraft sooner than he in fact did. HSBC should remove any adverse information it recorded with credit reference agencies from the date of the call (10 August 2023) onwards.

I accept that this will have caused Mr P some distress and inconvenience. The investigator recommended HSBC pay Mr P £100. Mr P thinks he should get more. He believes a fairer amount would be £10,000.

I've considered Mr P's comments. He thinks £10,000 would act as a deterrent and reflects the emotional turmoil he says HSBC caused. He also asks how we can ensure this doesn't happen to other customers. He sees HSBC's acts as an "absolute breach" of the relevant

regulatory codes and standards.

But where I award compensation this isn't to punish the business, but to reflect the impact its actions had on the customer. My role is to consider individual complaints against financial businesses from their customers. HSBC's compliance with the rules more generally is a matter for the regulator.

Given I've found that HSBC was justified in asking Mr P to repay the debt, I'm not going to award compensation for that. Nor am I going to compensate Mr P for HSBC's initial decision to record information about the debt with third parties. I've found that HSBC's acts meant led to a delay of a few months before Mr P repaid the debt. But I'm not persuaded this had sufficient impact on Mr P such as to justify more than the £100 the investigator has already recommended.

Thinking about all the circumstances of this complaint, I award Mr P £100 to reflect the trouble and upset HSBC caused him.

### **My final decision**

I uphold the complaint. HSBC UK Bank Plc should

- Remove any adverse information from Mr P's credit file in connection with the overdraft from 10 August 2023 onwards, on the basis that he would instead have settled the debt then,
- Pay Mr P £100 to reflect the trouble and upset it caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 24 September 2024.

Rebecca Hardman  
**Ombudsman**