

The complaint

Mr V complains that HSBC UK Bank Plc unfairly registered a default on his credit file, and they provided him with incorrect information.

What happened

Mr V says when he was working in England he held a HSBC credit card, and he continued to make repayments when living overseas. He says he was locked out of HSBC's digital banking, and he could not access his account to make repayments. He says he repeatedly tried to call their customer helpline to unlock his digital banking, but he couldn't pass the automated verification process, and the line disconnected as opposed to him being transferred to a call handler. As Mr V was overseas, he could not visit a branch to resolve this.

Mr V says that the email correspondence from HSBC stopped, and he was sent a paper letter demanding payment. He said at the time he didn't receive any paper mail as he had elected for electronic correspondence. When Mr V did manage to speak to a call handler he says he was told a default hadn't been registered, but when he spoke with HSBC on another call he was told a default had been registered. Mr V repaid his credit card balance after this call. Mr V made a complaint to HSBC.

HSBC partially upheld Mr V's complaint, and they paid him £100 compensation. They said there were no payments made after 24 May 2022, so a final demand was issued to him on 6 October 2022, requesting a repayment of the full balance, and this advised him of the next steps if they didn't receive this payment including the closure of his account and the registration of a default on his credit file. They said Mr V told them he didn't receive the default notice or final demand letter as he moved address, therefore, they couldn't be held responsible for non-receipt of these letters as it was his responsibility to ensure they held his current address on file, any time he moved.

HSBC said there were also many other methods to make repayments towards Mr V's account. They apologised for the failure to notify him about his account status when he contacted them, but they said if the call handler did inform Mr V, there would not have been anything he could've done at this point to stop the default from happening. Mr V brought his complaint to our service.

Our investigator did not uphold Mr V's complaint. He said HSBC applied the default correctly with regards to Mr V's account. He said it was evident that payments were not being made towards the account. Our investigator said that HSBC provided evidence of letters sent, informing him of the amount owed, and whilst Mr V was overseas and may have faced difficulties in accessing his account online and over the phone, there were alternative payment and contact methods available to him.

Mr V asked for an ombudsman to review his complaint. He made a number of points. In summary, he said he was previously locked out of his internet banking and at that point he could speak to someone, and the problem was fixed, internet banking and HSBC's website has no chat function, he paid the amount owed immediately upon finding out about the

default, and if he had known about this prior to the default he would've paid the outstanding balance.

Mr V said that when he rang HSBC he was not informed about the default, and they couldn't fix his internet banking at the time, he was enrolled for electronic communication only, so he asked why they would send paper mail to him outlining an impending default. Mr V said that the notice of default was not sent by registered post requiring a signature, bringing immediate attention to the receiver.

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.

Firstly, I'm aware that I've only summarised Mr V's complaint points. And I'm not going to respond to every single point made by him. No discourtesy is intended by this. It simply reflects the informal nature of our service as a free alternative to the courts. If there's something I haven't mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point to be able to reach what I think is a fair outcome.

I'd like to explain to Mr V that it is not within this service's remit to tell a business how they should run their policies and procedures, such as how they should run their automated services, and if the line is disconnected if a customer can't pass security or they should be transferred to a call handler (which Mr V says he was when the same thing happened to him previously). It would be the role of the regulator – the Financial Conduct Authority, who have the power to instruct HSBC to make changes to their policies and procedures, if necessary.

I can empathise with the frustration Mr V had with being unable to resolve his digital banking issues. He's told us he hasn't lived in England for a number of years and remembering all of the details to pass the automated service is not easy. But while using the automated services would be one way to speak to HSBC, it was not the only way.

Although HSBC may not have a live chat function, I can see their website does have a chat function which uses a virtual assistant. So it may have been possible for Mr V to obtain help using this. I've reviewed HSBC's home webpage to see what options Mr V would have had in making a repayment. As Mr V would have access to the internet to use internet banking, it would be proportionate to expect him to view HSBC's website if he was unable to get through to a call handler after he could not pass the automated security.

From the homepage I clicked on "*Borrowing*", from the banner at the top of the page. The last section is "*Already borrowing with us?*" and I selected "*Manage your credit card*". On the next page there is a section titled "*Card repayment options*". This page sets out multiple ways that Mr V could have paid his credit card without needing to make a payment using HSBC's digital banking or over the phone.

This includes Mr V setting up a direct debit. An e-Form was available for Mr V to complete, or Mr V could have downloaded the direct debit form and sent this to HSBC, as an address was given where to send this.

On the same webpage as described above, there is a frequently asked question about "*Can I make payments to my HSBC Credit Card from overseas?*" This section gives Mr V the details he would need to make a repayment from an overseas account also.

So I'm not persuaded that Mr V was unable to make repayments to his card despite his issues with HSBC's digital banking and their automated phone lines. So when Mr V didn't

make any repayments to his credit card, the arrears began to build.

I can see that HSBC sent Mr V several letters to inform him of his arrears position. The letters were sent to the address HSBC had for Mr V. If Mr V had since moved to another address, it would be his responsibility to inform HSBC of his new address. These letters include a different telephone number to their standard telephone number (as the account was in arrears), and the letters indicated he'd be able to speak to an actual call handler.

I've considered what Mr V has said about his preferences being email communications and not paper mail. But HSBC have acted in line with good industry practice by sending arrears letters and the notice of default by post. HSBC do not send these via email, even when a customer's preference is for email communications. And as Mr V was having issues with his digital banking at the time these were sent, it's probable he wouldn't be able to view these by email anyway. I say this as the email would likely tell him he had a letter to view on his digital banking. So HSBC acted as I would expect them to act here by sending these types of letters by post.

I've considered what Mr V has said about HSBC not sending the default notice by registered mail or giving him a phone call. But they are not required to. So I can't say HSBC did anything wrong by not doing this. The final demand letter dated 6 October 2022 was clear what would happen if Mr V didn't take the required action by 24 October 2022, which included them reporting the default to the Credit Reference Agencies (CRA's).

So when HSBC did not receive a payment from Mr V by 24 October 2022, they registered the default with the CRA's. As HSBC are required to report accurate information to the CRA's, then they acted how I would expect them to act here. As Mr V did not make a repayment to his account for months, then I can't say HSBC were unfair by taking the action that they did. So it would not be proportionate for me to ask HSBC to remove the default from Mr V's credit file.

Mr V may wish to consider registering a "*notice of correction*" with the Credit Reference Agencies (CRA's) to explain what happened here. This is a short explanatory note that he can add to an entry on his credit file, to explain the background to that entry. So anyone who searches his credit report would see the notice of correction and take the notice into account if they viewed Mr V's credit file. Prospective lenders will each consider a notice like this differently and it isn't a guarantee that they will put the underlying payment information to one side. But given how strongly Mr V feels here - it is an option that is open to him. He would need to contact the CRA's to do this.

I've then considered what happened when Mr V rang HSBC after the default had been registered with the CRA's. Mr V was told incorrect information when he asked if a default had been registered. So it would have been distressing for him when he found out on a future call when he was told the correct information that the default had already been registered.

If Mr V was told the correct information on this call, this would not have made a difference to the default, because the default had already been registered with the CRA's. But Mr V wasn't in an informed position about his account. Looking at HSBC's account notes for Mr V, I can see that after his account had defaulted, his account was transferred to HSBC's repayment services on 23 March 2023. So it's likely that because his debt defaulted and it was transferred that he would be unable to see this online even if he didn't have any difficulties with his digital banking at that time.

So I've considered what would be a fair outcome for this complaint. HSBC paid Mr V £100 compensation for the distress caused by giving him incorrect information. I'm persuaded that

this was proportionate for what happened here. I say this because Mr V would be distressed by being told incorrect information about the default. £100 is in line with our awards for what happened here. So as HSBC have already paid this to Mr V, I don't require them to do anything further.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr V to accept or reject my decision before 25 July 2024.

Gregory Sloanes
Ombudsman