

The complaint

Miss C complains that HSBC UK Bank Plc trading as First Direct reported missed payments on her credit file.

What happened

In January 2023 Miss C opened a current account with HSBC.

In July 2023 HSBC received a request from another bank regarding Miss C switching her account there.

On 1 August 2023 HSBC sent a letter to Miss C advising her to make sure that her account wasn't overdrawn on the day of the switch, unless she had agreed with the transferee bank to transfer an overdrawn balance. The letter further advised Miss C that if her account was overdrawn, she would need to repay the balance before the account could be closed.

On 2 August 2023 Miss C's account balance went to £49.63 overdrawn as a result of a £50 payment which Miss C had transferred to another account in her name via the banking app. On 2 August 2023 HSBC sent Miss C a text advising her that she had entered into unarranged overdraft.

On 8 August 2023 the account was switched, However, HSBC couldn't close Miss C's account because of the overdrawn balance.

On 21 September 2023 HSBC sent a letter to Miss C advising her of the overdrawn balance on her account.

On 11 October 2023 HSBC sent Miss C another letter advising her of the overdrawn balance on her account.

On 10 November 2023 HSBC sent Miss C another letter advising her of the overdrawn balance on her account.

On 30 November 2023 HSBC called Miss C. Miss C said she'd known nothing about the overdrawn balance until two weeks ago. Miss C repaid the overdrawn balance.

On 6 December 2023 HSBC closed the account.

On 29 December 2023 Miss C raised a complaint with HSBC. She said she wasn't happy about the way her account was reflecting on her credit file given that she had repaid the balance. She said the letters which had been sent to her in September 2023 and October 2023 regarding the overdrawn balance on the account weren't clear enough and didn't make it clear that the account would be reported as a missed payment to the credit reference agencies. Miss C asked HSBC to amend her credit file.

HSBC didn't uphold the complaint. It said it had a duty to share information with the credit reference agencies which included reflecting months in which a current account had been overdrawn.

Miss C remained unhappy and brought her complaint to this service. She wants the missed payment marker removed and compensation for distress and inconvenience.

Our investigator didn't uphold the account. He said he didn't think HSBC had made any errors in reporting the unauthorised overdraft.

Miss C didn't agree. She said the letters she'd received provided false information insofar as it had given her a timeline to repay the overdraft and she had repaid it within that time, so she didn't think it was fair that marker had been reported on her credit file.

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 Miss C's account. The account was opened in January 2023 and never had an authorised overdraft. I can see that on 2 August 2023 the account went into unauthorised overdraft.

I've reviewed the terms and conditions of the account. These state (at Section 16 – overdrafts) that where an account goes into unauthorised overdraft, the customer must get the account back in credit as soon as possible.

I've also reviewed the account switching letter that was sent to Miss C on 1 August 2023. This makes it clear that the account be overdrawn on the day of the switch. It also makes it clear that if the account is overdrawn on the day of the switch, it won't be possible to close the account until the overdraft is repaid.

I can see that HSBC sent Miss C a text on 2 August 2023 advising her that her account had gone into unauthorised overdraft.

I can also see that HSBC sent letters to Miss C on 21 September, 11 October and 10 November. The letter dated 21 September stated:

"We wanted to let you know that there's an unarranged overdraft on your account of £49.63. Please pay in enough money to bring your account back into credit within the next 14 days."

The letter dated 11 October stated:

"We recently contacted you to tell you there's an unarranged overdraft on your account for £57.53. We've noticed that you haven't repaid this yet. You need to pay in enough money to bring your account back within your arranged overdraft limit within the next two months"

The letter dated 10 November stated:

"We recently contacted you to tell you there's an unarranged overdraft balance on your account of £57.53. We also asked you to repay this amount within 2 months or we'd close your account. We've noticed that you haven't repaid this yet."

"Please pay in enough money to bring your account back into credit within the next 30 days or we'll close your account. You'll remain liable to pay the outstanding balance"

Miss C has said that she was given two months to clear the balance and that she cleared the balance within this timescale. However, the letter dated 21 September required payment within a timescale of 14 days, so I can't agree with Miss C that she complied with this

timescale, because she didn't make a payment until 30 November 2023.

Miss C has said that HSBC didn't make it clear in the letters that negative markers would be reported on her credit file. Miss C has also said that HSBC has made an error by reporting missed payments on her credit file. Miss C said that the amount of the overdraft should have been reported to the credit reference agencies, but that the overdraft shouldn't have been reported as a missed payment.

I've reviewed the terms and conditions. These state (in relation to what will be reported to the credit reference agencies):

"We'll continue to share information about you with CRAs while you have a relationship with us. We'll also inform the CRAs about your account status and repayment history. CRAs will provide us with regular information to enable us to carry out the activities in the above list. If you borrow and don't repay in full and on time, CRAs will record the outstanding debt. CRAs may give this information to other organisations"

Based on what I've seen, I think Miss C was aware – or ought to have been aware – that any indebtedness on her account would be reported to the credit reference agencies. Insofar as Miss C takes issue with the way in which the overdraft has been reported, I haven't seen anything to suggest that HSBC has made an error in the way it has reported the unauthorised overdraft. In circumstances where a customer has an unauthorised overdraft, this is reported with a late status for each month that the overdrawn balance isn't cleared. I can see that in this case, HSBC has reported status 1 for September 2023 because the account had been overlimit for 60 days by the end of that month, status 3 for October 2023 because the account had been overlimit for 91 days by the end of that month and status 4 for November 2023 as the account had been over limit for 121 day by the end of that month.

Based on what I've seen, I'm unable to say that HSBC has made an error or treated Miss C unfairly in the way it has reported the account. All lenders are under an obligation to report accurate information to the credit reference agencies. In this case, I'm satisfied that HSBC has reported accurate information about the state of Miss C's account.

For the reasons I've given above, I'm unable to uphold the complaint. I won't be asking HSBC to do anything further.

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 Miss C to accept or reject my decision before 3 November 2024.

Emma Davy
Ombudsman