

The complaint

Mr O complains about HSBC UK Bank Plc ("HSBC") for reporting a default to credit reference agencies about his credit card. He wants HSBC to remove the default from his credit record and to pay him compensation for his financial effects and his distress and inconvenience.

What happened

Mr O held a credit card with HSBC with a credit limit of £5000.

In late 2021, Mr O lost his employment and began to fall into financial difficulties.

In the early part of 2022, Mr O's balance reached his credit limit.

He contacted HSBC, and interest was stopped on his credit card account. This left him still needing to make the minimum payment of around £130 per month to keep to the account terms. He made a payment in April 2022, but this was for less than his minimum payment, and arrears began to build.

Mr O missed his next three payments and in June 2022 HSBC issued a default notice to Mr O. This explained that he needed to clear the arrears before 8 July 2022 to avoid a default being registered.

Mr O contacted HSBC and completed an assessment of his income and expenditure. At that time this showed he had a negative disposable income. HSBC advised that it could not make a payment arrangement with him, but it could offer a payment break for 3 months during which time default action would not proceed. Mr O took the payment break and thereafter began making monthly payments of £50 per month towards the debt. As no interest was accruing, this began reducing the debt but it was less than the minimum payment needed, so arrears continued to build.

Mr O spoke with HSBC in July 2023 and completed a further assessment of his income and expenditure. This showed that he had around £30 disposable income each month. HSBC set up a payment plan for this amount for 6 months, from July 2023 to January 2024.

In January 2024, HSBC wrote to Mr O with a final demand. This required the full outstanding balance to be repaid by the end of January 2024.

Mr O called HSBC at the end of January 2024 and went through another income and expenditure assessment. This again showed a negative disposable income. Mr O was unable to clear the arrears.

HSBC then defaulted the account and passed the debt to its payment services team.

Mr O continued to make monthly payments to HSBC and spoke with agents on a number of occasions. During a call in March 2024, Mr O complained that his account had been passed to the payment services team and defaulted, as he considered he had been in an arrangement and he had kept up his payments. During this call Mr O was given confusing

information which suggested that he did not need to make further payments until July 2024.

HSBC responded to Mr O's complaint in late March 2024. This response apologised that a missed payment had been reported to Mr O's credit file and agreed to amend this to an arrangement.

Mr O escalated his complaint and received a further response in May 2024. This detailed that the plan which had been agreed with Mr O in January 2024 was 'non-curing' and that Mr O's credit score would still be affected by plans being in place.

Mr O continued to correspond with HSBC and, in June 2024, HSBC advised that the credit card had been 'charged off' on 21 March 2024 and had defaulted. HSBC did not uphold his complaints. Mr O was not happy with this and contacted us.

One of our investigators has looked into this matter and has set out her view to the parties. Mr O provided further information which she assessed, and she considered that the complaint should be upheld. She thought that HSBC had delayed in registering the default and that this ought to have happened by October 2022. She also felt that HSBC had given contradictory and confusing information to Mr O and that HSBC should pay to Mr O £100 compensation to reflect his distress and inconvenience.

HSBC accepted that view. Mr O did not and asked for an ombudsman decision.

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 appreciate that Mr O has made substantial efforts to avoid a default, and that he has regularly engaged with HSBC over the period of his difficulties, in order to avoid impact upon his credit score. I also appreciate how strongly he feels that HSBC have treated him unfairly in its handling of his credit card account.

I do, however, agree with my colleague and with the view she expressed.

I agree that HSBC has provided sometimes confusing information during calls, and that information did not flow freely between different departments of HSBC. This has undoubtedly caused wasted time and confusion to Mr O, as he has sought to make sense of the information provided.

At the heart of the matter though, is that Mr O is upset that HSBC registered a default against him and this has caused him consequences in his ability to get credit.

As my colleague set out, HSBC was entitled to register the default when the account had been in arrears and those arrears had not been cleared.

The requirement on HSBC was to give notice of the arrears and that it may register a default, which it did. HSBC was also required to act positively and sympathetically towards Mr O, but this does not mean that it needs to allow the debt to remain indefinitely at an unacceptable level.

Mr O had unfortunately been unable to manage the debt and to meet the account terms for some time, and this showed no real signs of changing during HSBC's interactions with him. HSBC stopped interest accruing to the account in April 2022 and allowed substantial time for Mr O to reduce the debt without applying interest. There was no indication that Mr O would

be able to bring his account use back in line with the account terms, and so HSBC's decision to default the account was reasonable.

My colleague considered that the extended period of forbearance from October 2022 to March 2024, although done through agreement with Mr O and in an effort to help him bring the account back in order, also had the effect of delaying the point when the default would drop off Mr O's credit file and extend the period during which either arrears or a default appear. She therefore thought that HSBC should backdate the default to October 2022 to present the most accurate picture of Mr O's credit use to other lenders.

I agree with this approach and note that this benefits Mr O as the default will appear for a shorter duration than 6 years.

Looking then at the distress and inconvenience Mr O suffered, this has been primarily due to the default being reported, which HSBC was entitled to do.

I agree with my colleague that the confusing messages from HSBC will have caused Mr O some wasted time in long calls, and that it caused him to think he could prevent the default being registered, but I do not think that these made any material difference to whether the default was actually registered. The default was registered due to the debt outstanding and Mr O being unable to settle this. Those factors were not affected by the confusing telephone calls or by any issues in communication.

Mr O will have been caused frustration and upset by the communications, and I agree with my colleague's assessment that £100 is appropriate compensation to Mr O, and that this is in line with other awards we would make in similar circumstances.

I appreciate that this will be disappointing to Mr O, but for these reasons I agree with our investigator's view and with her recommend resolution.

My final decision

For the reasons give above, I uphold Mr O's complaint and direct HSBC UK Bank Plc to:

- Backdate the default on Mr O's credit file to 18 October 2022; and
- Pay to Mr O £100 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 19 November 2024.

Laura Garvin-Smith
Ombudsman