

The complaint

Ms S complains about HSBC UK Bank Plc (HSBC's) actions regarding her personal loan.

What happened

Ms S borrowed £10,000 over 60 months from HSBC in March 2020. Payments were £241.80 per month. These were taken by direct debit from Ms S' current account – also with HSBC. She had an overdraft limit of £2,000.

In 2023, Ms S ran into difficulty and several payments were missed. But by the end of 2023, HSBC wrote to Ms S to say the payments had caught up and the loan was up to date again.

Then, on 29 January 2024, the direct debit for the loan payment was rejected by HSBC and not made. The same thing happened on 12 February 2024. The balance of the loan was then £4,352.40. The direct debit was then cancelled as it had failed twice.

HSBC wrote to Ms S as follows:

29 January 2024: the letter said the direct debit had failed. This was due to Ms S being over her overdraft limit.

2 March 2024: HSBC wrote to Ms S to say the arrears on the personal loan were £725.40 (i.e. three missed payments). The balance of the personal loan was £4,352.40. The letter also said the missed payments were £1,209. The letter asked for the arrears to be paid.

6 April 2024: HSBC wrote to Ms S to say the arrears were £725.40 and asked her to get in touch.

18 April 2024: HSBC wrote to Ms S with a Notice of Default. The balance was £4,352.40 and the arrears were £725.40. HSBC asked for this to be paid by 9 May 2024.

13 May 2024: HSBC issued a final demand for the full balance of £4,352.40. The overdue amount was £967.20.

Ms S spoke to HSBC on 7 May 2024 and 30 May 2024. She then sent an income and expenditure form into HSBC dated 23 May 2024.

HSBC wrote to Ms S on 3 June 2024 and agreed a payment schedule to repay the loan of £1,450.80 per month – to be paid on 25 June 2024; 25 July 2024 and 25 August 2024. Ms S paid the first two. HSBC then agreed to hold the third one over until 20 September 2024, but this wasn't paid.

Ms S complained. She said:

- She hadn't been advised that the direct debit had been cancelled and this led to the missed payments.
- She also said was told differing amount of the arrears: she said the app said she needed

to pay £1,209, but HSBC were then asking for £725.40.

- She suffered from impaired vision throughout and couldn't easily read the communications.
- Some communications were sent by secure messaging and some by post – this was confusing.

On 18 June 2024, HSBC apologised that Ms S hadn't been told about the cancellation of the direct debit and for the confusion over the arrears due. For that, HSBC paid compensation of £75. The bank said the payment plan for three payments of £1,450 was to commence and because of that, suspended the default processes while the payments were to be made.

Ms S brought her complaint to us. Our investigator didn't uphold it. He said that HSBC had done enough to settle Ms S' complaint with the compensation payment of £75. He thought HSBC had communicated clearly enough about the status of Ms S' personal loan. And even if HSBC had advised Ms S that the direct debit had been cancelled, it was likely that the payments wouldn't have been made anyway.

Ms S didn't agree and asked that an ombudsman look at her complaint, and so it has come to me.

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 crux of Ms S' complaint is:

- She wasn't aware the direct debit had been cancelled and therefore she didn't know the arrears were building up.
- HSBC's communications were misleading as the app said the arrears were £1,209 and in calls and letters it said they were £725.40 – so she didn't know where she stood.
- She said some of HSBC's letters were sent in the mail and some by secure messaging - this was confusing.
- The problems she had with her vision impaired her ability to see and understand HSBC's communications.

I asked HSBC more questions about what happened and listened to the calls between HSBC and Ms S on 7 May 2024 and 30 May 2024.

Cancellation of direct debit:

I can see that HSBC did cancel the direct debt after the first two missed payments. HSBC wrote to Ms S on 29 January 2024 to say the direct debit then due had not been paid due to lack of funds – but the letter didn't say it had been (or would be) cancelled. I agree it would've been reasonable for HSBC to have said that – but didn't. HSBC apologised and paid compensation, which I think was reasonable. But otherwise (as I set out below) I think HSBC's overall communications were sufficiently clear.

I can also see that HSBC sent texts to Ms S on several occasions to say that direct debits had failed – on 1 February 2024, 2 February 2024, 9 February 2024, and 12 February 2024.

Although - these texts related to either the personal loan direct debits or other failed direct debits.

HSBC's communications:

I can see that HSBC's letter dated 2 March 2024 quoted two amounts of arrears - £1,209 and £725.40. I can see that this must have been confusing for Ms S. And she said the app also said the arrears were £1,209. HSBC's final response also apologised for this. I asked HSBC more about this and in summary – the bank could not say why this was.

But equally, all of HSBC's other letters as shown above - the three letters dated 6 April 2024, 18 April 2024 and 13 May 2024 – were all consistent in quoting the arrears as £725.40 (rising to £967.20).

I also listened to the call on 7 May 2024 – and the call handler did say the arrears were £725.40.

So – overall, on balance I think HSBC's communications were sufficiently clear.

HSBC's method of sending communications:

I considered this point, and banking regulations and practice say that formal default notices and final demands must be sent to a customer's correspondence address held by a firm – and that's what HSBC did here.

Ms S' vision impairments:

If HSBC had been advised of Ms S' difficulties and condition, we would've expected the firm to make adjustments in the way they communicated with her. HSBC told us they weren't advised about Ms S' condition until the call on 7 May 2024 – and I heard Ms S advise HSBC of that on the call also. To be fair to HSBC, I can't expect the firm to have taken any action if they'd not been advised of Ms S' condition before that time.

Did HSBC act reasonably overall?:

I then considered whether HSBC acted reasonably overall in the circumstances. And I can see that Ms S had been sent a Notice of Default on 18 April 2024 – and hadn't paid in the required amount; and had been sent a final demand on 13 May 2024 – and hadn't paid it.

Against that, HSBC then agreed (on 18 June 2024 and in response to Ms S' complaint) – to accept three payments of £1,450.80 – to pay off the loan. And HSBC agreed to suspend default proceedings to give Ms S the chance to pay off the balance over three months. I think this was a fair and reasonable thing to do.

I asked HSBC for an update on her situation – and while she paid the first two instalments, the third one was missed. And then, HSBC extended the deadline for it to 20 September 2024. So I also think that was also a fair thing to do. I understand this hasn't been paid either – and so the amount outstanding is still £1,450.80. HSBC have been waiting for the outcome of Ms S' complaint to our service before deciding what to do.

So, it seems to me that HSBC have tried to be flexible and reasonable in giving Ms S more time to pay in the ways I've set out.

I can see that Ms S has been through a difficult time and things haven't been easy for her. But on the balance of evidence, my decision is that HSBC don't have to do anything more to

settle this complaint.

I would urge Ms S to now get in touch with HSBC to pay this final instalment.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 18 March 2025.

Martin Lord
Ombudsman