

The complaint

Mrs N complains HSBC UK Bank Plc were wrong to default and close her loan account.

What happened

Mrs N was unhappy to find in June 2024 that HSBC had defaulted her account and later close it as she was behind with payments. She said when she contacted them to review payment arrangements, she found out she'd been defaulted. She said she didn't get the letter on time and only found out about this three months later. And when she'd approached HSBC about this, they'd referred her to this service.

In response to Mrs N's complaint HSBC sent two Final Response Letters ("FRL"). In the initial one HSBC told her it didn't think it had done anything wrong so didn't uphold the complaint.

In the second FRL, although HSBC maintained the default had been correctly applied - so wouldn't be removed - it accepted Mrs N had been given incorrect information by the call handler. And, for this failing, it offered to pay her £200 compensation for the distress and inconvenience. Mrs N brought the complaint to us.

Our investigator didn't uphold the complaint. He thought HSBC followed the correct process and the evidence he'd seen showed Mrs N had received the letter about the default as she contacted HSBC about it on 23 March 2024. He thought that the £200 compensation HSBC had offered for the handler's error - in stating that the account wouldn't default - was reasonable compensation for the impact on Mrs N. And he didn't think the default of the account would've been avoided - even if the correct information had been given in the call - as Mrs N had difficulty with the account since May 2023 and the charges had been suppressed. But by October 2023 Mrs N was falling behind on the monthly contractual payments. Our investigator said he'd expect a lender to issue a default notice if an account was at least three to six months in arrears. So, he thought it reasonable for HSBC to issue the default notice in March 2024.

Mrs N didn't agree with the outcome, she thought information was missing. She said there was an arrangement in place with HSBC. She said she had received the default letter late and had been trying to make the agreed payment but was unable to do so on e banking and had been told by HSBC this was due to an IT issue and this resulted in additional delays. She said she was capable of making these payments as she was up to date with her other bills and thought the default was an unjust punishment.

Our investigator explained he'd already taken into consideration there was an agreement but because this wouldn't clear the arrears within a few months he thought HSBC had to review the situation and consider a default. And he thought, if Mrs N had been in a position to clear the arrears after the issue of the default notice, she would have done so to stop any further action. He repeated that the evidence told him that Mrs N did receive the default notice and contacted the bank about it soon after.

Mrs N asked for an ombudsman to make a 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.

Having done so I've come to the view this isn't a complaint I can uphold. I'll explain why.

Everyone accepts Mrs N was wrongly told in the call of 5 March 2024 - when agreeing the three month payment plan - this account wouldn't be defaulted. HSBC have offered £200 compensation for this mistake and I think that's a reasonable response.

It's accepted by HSBC that the correct position was as set out in it's the letter confirming this three month arrangement on 8 March 2024 which said *"as the payments you'll be making are not enough to cover the overdue amount you may receive a Default Notice on your ...loan account ...when the overdue amount reaches a certain level."* And I'm afraid that's what happened here.

The default notice was also sent on 8 March 2024 asking for payment by 29 March 2024. And the final demand on 2 April 2024. The payment wasn't satisfied by the required date. I can see that although further payments were made to the account overall, these were insufficient and below what were required under either the payment plan or contractually.

The information I've seen satisfies me this account had been in arrears for over six months at the point HSBC decided to send the demand for payment and the default notice. So, I think, HSBC could take this step to default. And the information I've seen satisfies me it's followed the correct procedure. Like our investigator, I'm also persuaded on the records before me that Mrs N received the letter about the default, as it's referred to in the later call recording, on 23 March 2024.

I also looked at how HSBC treated Mrs N after she made contact about the loan to see if the default was applied for the right reasons. Once HSBC were aware Mrs N was in financial difficulty, as far back as May 2023, I'd expect it to treat her positively and sympathetically. Overall, I think HSBC did that. There a suspension applied during Covid and then later when Mrs N was on maternity leave from May 2023. So, I'm persuaded HSBC acted as they should here. And, as much as I hear Mrs N's frustrations with the outcome here, and her assertions about clearing the account, on the evidence before me, I share our investigators view about her ability to clear this account.

Overall, for the reasons I've given, I don't think HSBC made any mistakes with they decided to default this account. It did give incorrect information in the call when the three month plan was agreed. As a result of this there's been inconvenience to Mrs N, which HSBC recognise. I think the £200 offered by HSBC, is a fair and reasonable reflection of that and in line with the sort of award I'd have made had it not been offered. So, I don't require HSBC to do anything further here.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs N to accept or reject my decision before 24 February 2025.

Annabel O'Sullivan
Ombudsman