

The complaint

Mr W has complained about how HSBC UK Bank Plc has recorded an account default with the credit reference agencies ('CRAs').

What happened

Mr W had a credit card with HSBC. In March 2018, it sent him a final demand notice. This gave him 28 days to repay the balance, or the debt would be passed to Recoveries. As it wasn't paid, the debt was passed to Recoveries in June 2018.

In October 2018, Mr W went into a branch to repay the balance, and request that the account be closed. The account had in fact already been closed in June 2018, when it was passed to Recoveries. Accordingly, Mr W's payment was passed to Recoveries, and the balance showed on his statement as having been cleared.

However, Mr W later became concerned that the information had been reported incorrectly with the CRAs. In particular, he didn't think the debt was showing as settled, and he thought HSBC was re-recording the default on a monthly basis. Accordingly, he visited a branch and raised his concerns. The branch staff then passed this to the relevant internal team to look into.

In September 2019, HSBC sent Mr W a letter to say it had removed any adverse information that had been recorded since 2018, and offered him £500 compensation. However, it subsequently clarified that this letter was inaccurate, and withdrew the offer of £500. It explained that the default had been correctly applied in June 2018. And, that the balance was reported as having been settled in October 2018. It said a default would remain on a credit file for six years after being issued, even if the debt is repaid in full. When this is the case, the default is marked as 'satisfied', which is what happened here.

One of our investigators looked into what had happened, and recommended that the complaint should be upheld. This was because he'd seen a screenshot from one of the CRAs, which appeared to contradict what HSBC was saying, as it showed an outstanding debt.

As neither party was happy with our investigator's recommendations, the complaint was passed to me.

I wasn't minded to uphold it, so I issued a provisional decision explaining why. In that decision I said as follows.

It's unfortunate that HSBC initially believed it had made an error. I'm glad to see it has apologised for this, and explained the accurate position. HSBC has explained that the default was applied correctly, as the arrears weren't cleared in time. From the timeline, I agree this is the case. And I can see that Mr W did later settle the account, in October 2018. HSBC has provided me with screenshots showing that this is what it reported to the CRAs,

and has also provided screenshots from the CRAs to show this. So, the account has been reported as having been settled in October 2018. However, defaults remain on a person's credit file for six years. I don't agree that HSBC has continued to report a new default each month. Rather, the original default would have been showing, until six years passed.

I can't see why the CRA screenshot Mr W has provided would show anything different, as I'm satisfied that HSBC has reported the situation accurately. Accordingly, I'd advise Mr W to contact the CRA directly regarding this.

Mr W disagreed with my provisional decision, and explained the default was re-recorded every month, and the debt was showing as outstanding even after it had been settled.

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'm not departing from my provisional decision. It therefore forms part of this final decision.

As I set out in my provisional decision, I'm satisfied from the evidence provided by HSBC that it reported the status of Mr W's account correctly. I appreciate this is incredibly frustrating for Mr W, but I don't know why the CRA he is checking with showed what it did. HSBC correctly reported one default, and then the account being settled in October 2018. This would then remain on file for six years. As HSBC has reported the account correctly, and I also asked it to confirm this again with the CRAs, there's nothing more it can reasonably do.

If Mr W remains concerned, I'd urge him to contact the CRA in question, and he may wish to provide it with a copy of this decision.

My final decision

For the reasons given above, it's my final decision not to uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 19 February 2025.

Elspeth Wood
Ombudsman