

The complaint

Miss H complains that HSBC UK Bank Plc treated her unfairly when it failed to freeze interest and charges on her credit card as agreed. She also felt the bank's customer service had been poor.

What happened

Miss H told us:

- She had a credit card with HSBC and in February 2024, due to financial difficulties at the time, she missed the repayment which caused her to go over her £2,000 limit.
- HSBC called her about the missed repayment, and she explained her financial circumstances and it agreed to put her account on hold.
- She explained to HSBC that its handling of her business finance application had contributed to her financial issues. The bank then suggested she speak to a debt management organisation to assist her, but it didn't address the delays with the business finance. HSBC agreed to investigate the delays with the business finance and call back, but it didn't do so.
- HSBC unfairly defaulted her account in May 2024 and passed it to a debt collection agency as it had said her account was on hold. The bank said it had sent letters about missed repayments, but she hadn't received these.
- HSBC had treated her unfairly, so she wanted the bank to write-off the outstanding debt and pay her inconvenience for the distress caused. She won't be making repayments to the outstanding debt or engaging with HSBC as she doesn't trust it and it didn't understand the impact its actions had on her.

HSBC told us:

- It had spoken to Miss H in February 2024, but it hadn't agreed to put a hold on her account. It had however agreed to remove any interest and charges for sixty days and agreed to call Miss H back to discuss further support.
- It had tried to call Miss H back as agreed on several occasions but there hadn't been a response, but it acknowledged it hadn't left a voicemail on any of these calls.
- It had sent letters to Miss H numerous times throughout March 2024 about the outstanding arrears on her account. As it didn't receive a response, in line with its process it had issued a default notice in April 2024. And when the outstanding balance was still not repaid, a final demand was issued in May 2024.
- It accepted that it should have left Miss H a voicemail when it had called her and offered £30 compensation for the inconvenience caused. However, it didn't think it

had done anything wrong in defaulting Miss H's account and asking that she contact it to discuss a repayment plan for the outstanding balance.

Our investigator recommended the complaint be upheld in part. He thought it had been clear on the call between Miss H and HSBC in February 2024 that Miss H was vulnerable so the bank should have supported her more. He also didn't think that HSBC had been sufficiently clear on the call about the arrangement which had been agreed, or that the bank had dealt with the reason for Miss H's call effectively when she'd asked it for help. The investigator was satisfied that HSBC had sent the letters to Miss H about her account, and tried to call her. However, he noted that HSBC hadn't left a voicemail to let Miss H know that it had been in contact. The investigator thought it was reasonable for Miss H to repay the capital on the account as she'd had the benefit of those funds, and he recommended that HSBC pay £500 compensation for the distress and inconvenience caused to Miss H.

The investigator also thought that HSBC ought reasonably to remove the default which had been applied in May 2024 from Miss H's credit file. However, he said that Miss H couldn't address the arrears on her account at this time and therefore, by removing it and reapplying it later, Miss H would be disadvantaged which would be unfair - because the default would remain on Miss H's account for six years, and removing it and reapplying it would mean the expiry date would be much later and therefore the impact would last longer.

HSBC accepted the investigators opinion. Miss H didn't agree and asked for an ombudsman to review her complaint. She said in summary that the investigator hadn't fully considered the impact HSBC's actions had on her, and that the bank should be held accountable for its actions.

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 sorry to disappoint Miss H but there's not much more that I can add to what our investigator has already said.

The background to this case is well known to both parties so I won't go into it at length here. However, in summary Miss H says that HSBC didn't treat her fairly when she asked for support due to a period of financial difficulty and vulnerability. She says that she was told that HSBC would put a hold on her account, but it then unfairly defaulted her account and applied negative information to her credit file.

I've listened to the calls between Miss H and HSBC, and I can understand why Miss H believed that HSBC was putting her account on hold. HSBC told Miss H within the first couple of minutes of the call that because she was speaking to the bank it would suppress interest and charges for sixty days, and I think it's reasonable that Miss H interpreted this as meaning that nothing further would happen. Particularly because after the call handler mentioned this, the conversation progressed significantly. Miss H became distressed and explained that she had no income to make any payments. I think HSBC did try and support Miss H, but I think it should have reiterated to Miss H at the end of the call what it had put in place for her.

I've seen evidence of the letters that HSBC sent to Miss H throughout February, March, and April 2024 regarding her account. I recognise that Miss H says she didn't receive any of these letters, however I can't fairly hold HSBC responsible for this. I've seen copies of the letters which were sent to the address the bank held on file for Miss H, and I've seen the system records showing these were sent. So, I'm satisfied that HSBC did try and contact

Miss H regarding the status of her account. I've also seen evidence that HSBC called Miss H seven times throughout March and April 2024, at various different times without success. However, the bank has acknowledged that it didn't leave a voicemail for any of these calls. So, I think HSBC's service fell short here and I don't think it treated Miss H fairly at a time where it was aware that she was vulnerable. And I think HSBC should have done more to contact Miss H, and put more things in place to assist her.

The Financial Conduct Authority and Lending Standards Board guidance say that businesses should look to positively and sympathetically support their customers who are vulnerable and/or in financial difficulty. Based on the evidence I've seen I don't think HSBC did this sufficiently here, instead, it made Miss H's difficulties worse by defaulting her account and impacting her credit file at a time where she was already distressed. I've thought about the best way to put things right for Miss H as I don't think it was fair for the bank to default Miss H's account when it did. However, I also don't think it's fair to resolve the complaint in the way that Miss H would like.

Miss H has had the benefit of the purchases made on her card, so it wouldn't be fair to say that she doesn't have to repay that. So, I don't agree that HSBC should write off the outstanding balance on Miss H's account as a result of this complaint. When HSBC spoke to Miss H in February 2024, it agreed that it would remove any interest and charges on her account for sixty days. I've looked at Miss H's statements and it appears that the bank also hasn't applied any interest or charges after the sixty days expired. So, I think the bank did behave reasonably here.

However, I think it would have been reasonable for HSBC to have explored other options with Miss H to support her before defaulting her account, such as reviewing her income and expenditure and maybe agreeing a payment arrangement. As I don't think HSBC treated Miss H fairly before it defaulted her account, I would likely have asked HSBC to remove the adverse information from Miss H's credit file from February 2024 when she spoke to the bank about her circumstances. However, despite our investigator's request for information, Miss H hasn't told our service if she's in a position to undertake a payment arrangement, nor would she engage further with the bank to discuss her income and expenditure.

As Miss H hasn't made any payments to her account, it means that her account would likely be in the same position as it is now, albeit later, and this would have a detrimental effect on Miss H in the longer term. This is because currently the default was applied to Miss H's credit file from April 2024 and would expire in April 2030, however if HSBC removed the original default and reapplied it say from April 2025, it wouldn't expire until April 2031 – and the impact would essentially last for longer for Miss H, given the circumstances of this complaint. Therefore, I agree with our investigator that I won't be asking HSBC to amend Miss H's credit file.

I do think it's fair that the bank pay compensation for the distress and inconvenience it has caused Miss H. I recognise that Miss H doesn't feel £500 compensation is enough for the inconvenience she was caused, and I acknowledge that she's told us because of HSBC's actions her mental health has been impacted. I want to thank Miss H for sharing with us the information about her health and I don't dispute the impact Miss H told us she felt because of HSBC actions. However, I agree with our investigator that an award of £500 is fair in the circumstances of the complaint.

We publish information about our approach to awards for distress and inconvenience on our website at: <https://www.financial-ombudsman.org.uk/consumers/expect/compensation-for-distress-or-inconvenience> We usually consider that an award of between £300 and £750 might be fair where the impact of a mistake has caused considerable distress, upset and worry – and/or significant inconvenience and disruption that needs a lot of extra effort to sort

out and typically, the impact has lasted over many weeks or months. I recognise that Miss H says the impact of the bank's error will last for a much longer period, but I do also have to take into consideration that Miss H has also declined to engage with HSBC to discuss a way forward. Therefore, having considered all the available evidence and applied my own judgement, I am satisfied that £500 compensation for the distress and inconvenience caused is fair in this case.

My final decision

My final decision is that I uphold this complaint. I instruct HSBC UK Bank Plc to pay Miss H £500 for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 2 May 2025.

Jenny Lomax
Ombudsman