

The complaint

Mr L complains HSBC UK Bank Plc unfairly closed his credit card account and applied a default against his name.

What happened

The facts of the complaint are well known to both parties, so I will only provide a summary of the key points.

Mr L held a credit card account. On 31 December 2020 HSBC issued Mr L with a default notice. This letter explained that the account would default and Mr L had a balance of £1,953.75 – with an overdue amount of £152.95. It advised Mr L would need to bring his account up to date by paying the overdue amount by 21 January 2021.

No payments were made by Mr L, and on 19 February 2021 HSBC wrote to Mr L again with a final demand. Within this letter HSBC explained that Mr L needed to repay the full amount due on the credit card. It said that if this wasn't done by 9 March 2021 it would report information to credit reference agencies and close Mr L's account.

As per HSBC's letter Mr L's account should've closed in March 2021. However, the account remained open, and the account closed in August 2022. At this stage breathing space was applied to the account and all charges and interest were suspended. The account passed to HSBC Repayment Services team.

Mr L raised a formal complaint about the handling of his account in June 2024. Mr L said there is no easy way for him to make repayments towards the debt and the default was unfairly applied. This was reviewed and during a call with HSBC it was explained to Mr L that as the account was closed it wouldn't appear online or on his HSBC app. Mr L would need to contact the Repayment Services team to make payments, or he could set up a standing order or direct debit to help clear the debt.

Mr L remained unhappy and referred his complaint to this service. An Investigator reviewed the complaint and in summary, made the following findings:

- HSBC's reasons for closing the account are fair and no error has been made.
- The account was closed in line with the relevant terms and conditions.
- Mr L was informed clearly about his outstanding credit card balance.
- HSBC has offered to rectify the default dates and apply the default from March 2021 instead of August 2022 – this is a fair offer.

Mr L disagreed with the Investigator's review and maintained HSBC had treated him unfairly.

As no agreement could be reached, the complaint was referred to an ombudsman for a final 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.

Firstly, I am sorry to see Mr L has had cause for complaint. I can see from the evidence provided that his financial situation has been a source of stress for Mr L, and I don't underestimate the concern this situation has caused. Having looked at the complaint fully, my review of the evidence has led me to the same overall conclusions as the Investigator previously set out and for much the same reasons. I will explain why.

Closure of Mr L's account

It's generally for banks to decide whether or not they want to provide, or to continue to provide, banking facilities to any particular customer. Unless there's a very good reason to do so, this service won't usually say that a bank must keep a customer or require it to compensate a customer who has had their account closed. At times, following a review, banks sometimes choose to end their relationship with customers. This can be due to a number of reasons and a bank isn't obliged to give a reason to the customer. Just the same as if Mr L decided to stop banking with HSBC, he wouldn't have to explain why.

In Mr L's case the credit card account was closed due to the on-going issues Mr L was facing in meeting his minimum repayments. A credit card is a credit facility which HSBC is obligated to provide to customers in a responsible manner. This means it must ensure the credit is effectively managed and doesn't cause a customer detriment in the form of charges and interest. HSBC has explained that it offered Mr L the appropriate support, and that its process in these circumstances is to close the account, and pass the outstanding debt to its specialist team. I think HSBC acted reasonably here in its communications with Mr L and in closing the account. This prevented Mr L from increasing his indebtedness and meant interest and charges on the account were frozen.

I must also highlight that the terms and conditions of Mr L's account allow HSBC to close the account following a period of non-payment towards the minimum balance. HSBC reached out to Mr L on multiple occasions and explained the account would close if no payments were made. Given the time Mr L's account had remained unpaid and the account terms, I'm satisfied HSBC acted fairly in closing Mr L's account.

Repayment of outstanding balance and default

Mr L says HSBC failed to provide the appropriate support to him and unfairly registered a default. I can see that HSBC was aware Mr L was facing financial struggles. Once a lender is told, or it realises, that a borrower is experiencing financial difficulties we would expect it to exercise forbearance and due consideration, in line with its regulatory obligations. In simple terms this means HSBC should treat Mr L fairly and give him appropriate support.

In June 2020 HSBC provided Mr L with a payment holiday of three months. Following this a long term no affordability arrangement was set up. Although HSBC was aware of Mr L's financial situation and took steps to assist, this doesn't mean it had to stop its collections process, and it was obliged to inform Mr L of the impact non-payment of the balance would have. In its letters to Mr L regarding the default and final demand HSBC set out clearly the action Mr L needed to take and the consequences if no payments were received. So I'm satisfied HSBC communicated clearly and directly with Mr L.

As Mr L didn't make payments towards the outstanding balance on his credit card HSBC made the decision to apply a default marker to his credit file. Industry guidance generally

says if a customer is at least three months behind with their payments then generally a default can be registered. Given the time the balance had remained unpaid on Mr L's account I consider this to be an appropriate step for HSBC to have taken.

I understand Mr L says the application of the default is unfair and has a significant impact on him. I appreciate this but HSBC is obliged to provide accurate information to credit reference agencies and although Mr L had been in contact with HSBC, it was still obliged to report an accurate assessment of the credit card account. Ultimately when an account is in arrears a lender can register a default, even if an arrangement to pay or some other temporary arrangement has been agreed. So given its regulatory reporting duties I think HSBC has acted reasonably in recording a default and I don't think it would be fair to ask it to remove this.

In its review of Mr L's complaint HSBC has looked at the timeline of events again and has found it should've acted faster when closing Mr L's account and registering the default. Looking at the timeline of events I agree with this. HSBC told Mr L his account would close, and a default would be registered by the end of March 2021. However, HSBC's internal notes show that the account wasn't closed in the correct manner, and the default was only applied in August 2022. This is a significant delay, and HSBC has agreed to amend the entry to 19 March 2021. This means the default will be in place for six years from this date, instead of August 2022. I consider this to be a reasonable resolution and ensures Mr L's credit file is an accurate reflection of his financial situation.

Mr L has also raised concerns about his ability to make payments towards the outstanding balance. I appreciate his frustration that he is unable to view his balance and make payments online or using the HSBC online app. HSBC has explained this is due to the account being closed and sitting with its recoveries team. In order for Mr L to manage repayments on the balance HSBC has set out the options he has available, and I consider these to be reasonable given the account has now closed.

In summary, I recognise how strongly Mr L feels about what's happened, and I don't doubt it was a frustrating and upsetting time. So, I realise he will be disappointed by my decision. But overall, based on the evidence I've seen, I can't say HSBC has acted unreasonably and treated Mr L unfairly when it closed his account and asked him to repay his outstanding debt. So, I won't be asking HSBC to do anything further than it has already offered to do.

Putting things right

HSBC UK Bank Plc should amend Mr L's credit file to ensure the default is recorded at the appropriate time, as outlined above.

My final decision

I uphold this complaint in part.

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

Chandni Green
Ombudsman