

The complaint

Mr R complains that HSBC UK Bank PLC didn't default his credit card account when he entered a Debt Arrangement Scheme.

What happened

Mr R entered into a Debt Arrangement Scheme ("DAS") in January 2020; his credit card debt to HSBC was included.

In 2024, Mr R contacted HSBC to complain about how it had administered his debt – specifically, what it had recorded on his credit file. He felt, in the circumstances, that HSBC ought to have defaulted his credit card account when his DAS started, and that a default status should've been reported to Credit Reference Agencies ("CRAs") from that point in time. Mr R said other creditors had followed this approach, and he wanted HSBC to do the same.

HSBC didn't uphold Mr R's complaint. In its final response letter, the bank said it was accurately reporting the status of Mr R's account; it said it wouldn't apply a default because, under the rules of Mr R's DAS, it couldn't follow its usual collections process.

Mr R remained unhappy, so he brought his complaint to this Service for an independent review. An Investigator here looked at what had happened; having done so, she thought Mr R's complaint should be upheld in part. She didn't, though, agree that HSBC should record a default against Mr R.

In summary, the Investigator said:

- There wasn't anything in available guidance to suggest that HSBC was required to default Mr R's account.
- Mr R had complied with the terms of his DAS; nothing suggested the arrangement stipulated by Mr R's DAS had been broken. He hadn't missed repayments in the lead-up to the DAS either.
- It was true to say that Mr R had missed some repayments since entering his DAS, but that is permitted under the arrangement in certain circumstances. That scenario was applicable to Mr R here, so these missed repayments weren't reason for HSBC to default.
- With all of that in mind, HSBC hadn't acted unreasonably by not defaulting Mr R's account.
- HSBC had, though, reported some information to CRAs incorrectly. The bank had been on notice since January 2020 that Mr R's DAS was in place. So, HSBC should report Mr R's credit card account as being in an arrangement to pay – as opposed to missed payments – from that date.

Mr R disagreed with our Investigator. In reply, he set out guidance – stipulated by the Information Commissioner's Office ("ICO") – which he considered to support his position. He

also outlined the potential repercussions to him, and his ability to obtain future credit, if a default wasn't recorded. So, in short, the resolution Mr R continues to seek is for the credit card account to be defaulted.

Our Investigator reconsidered the matter in light of Mr R's comments, but she didn't change her mind. Mr R subsequently asked for a final decision. So, as no agreement has been reached, the complaint has been passed to me to decide.

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.

At the outset, and before addressing the merits of Mr R's complaint, I think it's important to set out some general points. What I say here is somewhat broad information, but it provides useful context – particularly because several of Mr R's points relate to the DAS itself and how it operates, which isn't something HSBC has any control over.

My role, plainly speaking, is to determine whether HSBC has done something wrong in the specific circumstances of what's happened here. If it has, I'll instruct the bank to put things right for Mr R. I can only do that, though, if I'm satisfied HSBC has indeed done something wrong and/or treated Mr R unfairly or unreasonably. It's not the purpose of this decision to comment more widely on the fairness, or perceived unfairness, of a DAS itself.

I'll also point out that while Mr R has provided comprehensive testimony and substantial replies to our Investigator, I haven't followed the same approach. It's clear that Mr R feels very strongly about what happened, that's understandable; I've focussed, though, on what I deem to be the crux of the matter. That means that while I have read and considered all that Mr R has said and provided, I haven't commented on each and every statement he's made. Our role is to be an informal service and my method here is simply to align with that purpose; I certainly don't intend any discourtesy.

Turning to the matter at hand, having looked through all of the information provided by Mr R – as well as information from the Accountant in Bankruptcy (AIB); information available on the Scottish government website, guidance from the ICO and others – I haven't seen anything that states a business should categorically default an account when notified of a DAS. So, broadly, I can't say that HSBC was wrong not to default Mr R's credit card account when his DAS started.

That aside, Mr R quite clearly has a strong view on what his DAS should mean for his credit file. From what I've read, he considers the DAS similar to an Individual Voluntary Arrangement ("IVA") and he's referred to some ICO guidance – in support of his position – which lists IVAs and other types of arrangements.

I understand completely why Mr R would see his DAS as similar to an IVA, or other such arrangements, but I don't share that view. Under a DAS, a Debt Payment Plan ("DPP") is established; no further interest or charges can be applied to the debt. It is a formal arrangement, designed to help people repay their debts in a more manageable way, and without the risk of a creditor taking legal action. But the situation in a DAS is still an agreement to reduced or revised repayments, even if the creditor – in this case, HSBC – is compelled to the agreement by operation of the relevant law.

There's nothing to suggest Mr R's credit card account should've been defaulted before his DAS came into force; from what I've seen, he wasn't behind with repayments before it, and then during his DAS Mr R hasn't done anything to break the arrangement. I'll reiterate here that nothing I've seen in the relevant guidance – from the ICO, AIB or otherwise – suggests HSBC was *required* to default his account. So, with everything I've set out in mind, it follows that I can't conclude HSBC should have defaulted Mr R's account; I don't think that would be an accurate reflection or, more broadly, what should've happened when Mr R's DAS started.

With all of that said, I do think HSBC reported things inaccurately. It shouldn't, in my view, have recorded late or missed payments; instead, from the date Mr R's DAS started, the bank should've recorded the account as in an arrangement to pay, given that's fundamentally what is agreed. That, I think, would be accurate. I know HSBC has accepted this position already, so it should make the necessary amendments to Mr R's credit file as soon as possible if it hasn't already done so.

I'm well aware that Mr R will disagree with what I've said here, and I do understand the implications for him. I can't, of course, determine that Mr R would've been any better or worse off if he hadn't opted for a DAS; there's simply no way for me to know that, or what would've happened in other circumstances. I can't comment either on why some lenders did choose to default his accounts with them, as he's told us they did. Rather, my review here is focussed on whether HSBC is wrong not to have defaulted Mr R – and for the reasons I've explained, I don't think it either should have or was required to.

In closing, and to sum up, I don't think HSBC was wrong not to report Mr R's account as in default; but I do find that HSBC should amend Mr R's credit file – if it hasn't already – to show the account as being in an arrangement to pay since he entered his DAS in January 2020.

My final decision

My final decision is that I uphold Mr R's complaint. HSBC UK Bank PLC should put things right as I've set out.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 16 April 2025.

Simon Louth
Ombudsman