

The complaint

Mr A complains that HSBC UK Bank Plc unfairly defaulted his credit card account.

What happened

In 2023, Mr A raised a complaint with HSBC about irresponsible lending on his credit card account. When he was unsatisfied with the response from HSBC, he brought it to our service. Mr A said, following the outcome of that complaint, HSBC agreed to remove the default it had applied of October 2021, but when the account was sold to a debt purchaser the default was registered again with a different date of April 2022. As he was told the default would be removed entirely from his credit file only for it to be applied again, Mr A raised a further complaint with HSBC.

HSBC explained the default was incorrectly removed following the resolution of Mr A's previous complaint, so it was correct for it to reapply the default to his account. However, the correct default date should have been October 2021. To put things right, it said it provided feedback internally and paid £500 compensation to Mr A's account to apologise for the inconvenience caused. It also mentioned that a business decision was made to sell Mr A's debt in September 2023, and it contacted the debt purchaser to amend the default date to October 2021.

Our Investigator looked into matters and thought the complaint should be upheld. They said HSBC didn't do anything wrong in applying the default but felt the default date should be backdated to June 2021, when Mr A was six months in arrears on his account. They also felt the £500 compensation was fair and reasonable for the impact caused by HSBC offering to remove the adverse information in error.

Mr A disagreed. In summary, he said that had he been informed the default would remain on his credit file, he wouldn't have reduced his other debts and would have instead considered an Individual Voluntary Arrangement (IVA). He also said he was led to believe his payment to HSBC of around £6,000 in October 2021 would have prevented the default being applied.

As Mr A remained unhappy, the case was passed to me 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.

Our service has dealt with Mr A's complaint about irresponsible lending and his payment plans. So, I want to make clear I won't be addressing those issues within this decision as they have already been addressed. I also won't be commenting on the actions of the debt purchaser – Mr A has raised this separately. In this decision, I can only consider whether HSBC treated Mr A fairly when it asked the debt purchaser to reapply the default to his credit file.

I understand Mr A feels very strongly about this complaint. I've carefully considered everything both parties have said, if I don't directly reference something in my decision it is not because I've not given this consideration. But I've focused on what I consider to be the crux of the complaint. This isn't meant as a discourtesy but reflects the informal nature of this service.

In Mr A's previous complaint about irresponsible lending, our Investigator recommended redress and stated the following:

"...if after the rework the outstanding balance still exceeds £25,000, HSBC should arrange an affordable repayment plan with Mr A for the remaining amount. Once Mr A has cleared the outstanding balance, any adverse information recorded after December 2020 in relation to the account should be removed from their credit file."

Although Mr A hadn't cleared the outstanding balance, HSBC said it would remove any adverse information from December 2020. But it later said it shouldn't have done this as, following the refund in line with the Investigator's outcome, the outstanding balance didn't exceed £25,000 and Mr A had failed to make payments towards the account from December 2020 until October 2021. Therefore, it felt the default should be reapplied to Mr A's credit file.

I note the Investigator on the previous complaint explained to Mr A that there was a balance outstanding on his credit card, but HSBC agreed to remove the adverse information as a gesture of goodwill. It's important to note that when a business makes a mistake, we wouldn't expect them to honour it. Instead, we would consider the impact on the customer as a result of providing the incorrect information.

In this case, HSBC has paid £500 compensation for the inconvenience caused to Mr A. Our Investigator on this complaint also asked it to backdate the default to June 2021, when Mr A failed to pay the amount requested by the deadline set out in the default notice – which HSBC accepted. So, I've considered whether HSBC needs to do more than it has agreed to, and I don't think it does.

I've seen on the previous case that the default was discussed with Mr A but no formal outcome was issued on this point, so I think it would be fair to address that within this decision.

HSBC says it issued a default notice requesting payment of the overlimit amount of £4,914.84 before 25 June 2021. The statements show no payment was made to the account until October 2021. I understand Mr A says he was told he could avoid the default by making a large payment towards his arrears and he paid around £6,000 in October 2021, but this was after the deadline set out in the default notice. And I haven't seen any evidence to suggest he was told that a default could be prevented by making the payment at the time that he did.

I can see HSBC issued a final demand in September 2021, but this requested the full outstanding balance of around £29,000. I've also listened to the call Mr A had with HSBC in October 2021, in which it explained it couldn't stop the default on his account as the deadline set out on the final demand had passed. So, from the information available, I don't think it has done anything wrong here.

I understand Mr A has suggested the default date should be earlier than June 2021 as he went over his credit limit prior to this. The Information Commissioner's Office's (ICO) guidance says *"...a default normally occurs when you have not met the terms of a credit agreement and your account is three to six months in arrears."* Mr A's statements show he

was in and out of arrears from 2019, but I can't see he reached six months of arrears before 2021. Therefore, I think the date suggested by our Investigator is reasonable as it means the default would fall off Mr A's credit file sooner than if it was recorded as October 2021.

Mr A also believes the default amount is incorrect as there were ongoing disputes in relation to some of his credit card transactions, therefore the debt he owed was less than the amount recorded. Whilst I acknowledge Mr A's comments around this, the default amount would be what's owed at the time. Here, the amount recorded is £23,166 which was the outstanding balance Mr A owed in October 2021. So, I haven't seen anything to suggest HSBC has made an error.

I recognise that Mr A has said he would have considered an IVA had he been told the default would remain on his credit file and not looked to reduce his other debts. But I'm not sure this changes anything here. Mr A would have still owed the balance on the account regardless of the default and could have sought advice on an IVA if he felt he couldn't maintain payments to his lenders. I appreciate the debt purchaser has now agreed to settle the account, but I'm not persuaded HSBC needs to do more in this regard.

Mr A has also complained that he contacted HSBC several times to reach a payment arrangement following his previous complaint but was told it couldn't see information on his account. I've reviewed the account notes HSBC provided. This shows a call in August 2023 in which Mr A wanted to discuss his outstanding balance, which I've listened to. In this call, HSBC explained the account was closed with a zero balance, and when it asked Mr A the specific information he was looking for, he said "*...I will leave it like that then.*"

It's clear from Mr A's contact with our service on his previous complaint that he wanted to reach an agreement with HSBC for the outstanding balance, and I acknowledge his account was passed to a debt purchaser in September 2023. But the terms and conditions of his account allow HSBC to sell it to a third party, even if there were ongoing discussions between the parties. This usually happens when the lender has decided the relationship has broken down and there's little prospect of recovering the debt. HSBC sold Mr A's account to the debt purchaser following the previous complaint and large outstanding balance, and this is a commercial decision it is able to make. So I think it was reasonable for them to assign the debt to the debt purchaser when it did. I also note that the debt purchaser has said it wrote to Mr A about the sale in October 2023, and he spoke to them shortly after. Therefore, although I think HSBC could have explained it was unable to set up an arrangement for him, I don't think there has been any significant impact as Mr A would have needed to arrange this with the debt purchaser directly.

There's no doubt it would have been frustrating for Mr A to find that the default had been reapplied, and I can see from the correspondence that this caused him distress and inconvenience. However, HSBC has already paid £500 compensation, and having thought about the overall impact its actions had on Mr A, it is more than what I would have recommended, so I won't be increasing this further.

Taking everything into account, whilst I appreciate this isn't the outcome Mr A is hoping for, I won't be asking HSBC to remove the default, but I think it should arrange for the default to be backdated to 25 June 2021 – when the default deadline had passed.

My final decision

My final decision is that I uphold Mr A's complaint and direct HSBC UK Bank Plc to ensure the date of the default is backdated to 25 June 2021 if it hasn't done so already.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or

reject my decision before 26 November 2025.

Tania Henry
Ombudsman