

The complaint

Mr K complains that HSBC UK Bank Plc unfairly defaulted his personal loan and his credit card.

What happened

Mr K held a personal loan and a credit card account with HSBC. Around July 2024, Mr K was made redundant from his job; he told HSBC about this shortly afterwards, in August. Considering the change to Mr K's circumstances, in September 2024, HSBC arranged a payment-break for both his loan and his credit card. That payment break was to last around three months – expiring in December 2024 – and HSBC told Mr K that although it wouldn't expect repayments for either his loan or credit card, nor would it contact him to chase repayment for either debt, the bank would still have to report details of the arrangement to Credit Reference Agencies (CRAs).

The payment break expired in December 2024. At this point, Mr K's search for new employment hadn't been successful and, as a result, having discussed his situation with HSBC again, the bank decided to place Mr K's loan and credit card in a state of "Long Term No Affordability" (LTNA). Essentially, that's a position where the account holder is unable to make contractual repayments or agree to a repayment plan. Again, HSBC set out that it had to report information to CRAs; the bank explained that it would issue a final demand and a default notice, if the accounts remained unpaid then they would likely be closed, formally defaulted, and reported as such to CRAs.

Ultimately, Mr K's personal loan defaulted on 21 February 2025; his credit card followed suit on 10 March. Between those two dates, however, Mr K had called HSBC to let it know he'd found new employment. While he hadn't officially started yet, due to background checks and so on, he'd been given a start date of 17 March. During that call, Mr K told HSBC he'd be in a position soon to resume repayments; HSBC, though, still proceeded to default his loan and credit card. So, Mr K complained.

In a brief response, HSBC defended its actions and said it had clearly explained the payment break and LTNA to Mr K – along with the general consequences of not making repayments. Unhappy with that, Mr K asked us to review what had happened.

An Investigator here looked into the matter; having done so, they didn't think Mr K's complaint should be upheld. In summary, the Investigator said:

- There's no doubt Mr K was open and upfront about his financial circumstances, and that he'd tried his best to mitigate the situation best he could.
- That said, it hadn't been unreasonable of HSBC to default Mr K's loan and credit card when it did. Ultimately, given the significant and sustained arrears for both accounts,

it wasn't irrational of the bank to start the default process when it did.

- Mr K had indeed told HSBC that he'd found new employment. He'd done so after one account defaulted, and a few days before the other followed, but that didn't mean it was wrong of HSBC to go ahead.

Mr K disagreed. He reiterated how he considered HSBC's actions to be disproportionate to the circumstances; that the bank had caused him irreversible harm, and that it had ignored his willingness to repay – including a debt management plan he'd worked on with a third-party organisation.

Our Investigator reconsidered, in light of Mr K's comments, but didn't change their mind. They explained again how HSBC was able to default an account when there's sustained arrears for a prolonged period of time. Mr K, again, disagreed with that – and he asked for an Ombudsman's 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.

Having done so, while I know this will disappoint Mr K, my view is that HSBC hasn't done something wrong here. I'll explain why but, in doing so, I've focussed on the crux of the matter; I haven't commented on everything Mr K has set out to us, even though I have considered it. I don't mean any discourtesy in that approach, it's simply to align with our purpose as an informal service.

Broadly speaking, and by way of general information, the Information Commissioner's Office (ICO) says that when a consumer is at least three months behind with their payments then a default may be registered. It also says it would *expect* a default to be registered by the time the consumer is six months behind with their payments. That's just what happened here. Mr K was in a sustained period of arrears – from September 2024 – with no repayments being made for the contractual amounts or otherwise. Defaults were applied to his loan and credit card in February and March 2025.

On the face of it then, HSBC complied with the guidance set out by the ICO. While I can surely understand this whole scenario wasn't brought about by something Mr K did, and there's no doubt he was trying to mitigate the situation best he could, that doesn't mean HSBC was wrong to proceed to default given the persistent state of arrears for both accounts.

The crux of this complaint, I think, is Mr K's view that HSBC's actions were premature and disproportionate in his specific circumstances. He's referred, among other things, to how he'd told the bank – it seems in late February 2025 – that he'd soon be resuming repayments after finding new employment. Mr K thinks HSBC ought to have provided more time for him to repay his debt. I don't, though, see things in quite the same way. Looking broadly at the measures the bank took, it conducted income and expenditure assessments, and it first applied a payment break, then subsequently LTNA status, to Mr K's accounts. Those are reasonable steps to take in the circumstances here, and I'm satisfied that HSBC explained the consequences; it was clear that a default was a possibility.

When Mr K told HSBC about his new job – and putting aside that he hadn't started it yet nor, presumably, received a salary – one account had already defaulted, and the other was days away from doing the same. It was still the case that no repayments had been made and,

speaking plainly here, the fact is that HSBC wasn't obliged to afford Mr K further time to resume repayments, regardless of being told about his new job. In fact, allowing arrears to continue wouldn't have been responsible of HSBC. Similarly, HSBC was under no obligation to accept repayment plan offers from Mr K – particularly if it determined through internal assessments, as seems to be the case here, that such a commitment might cause financial strain.

Mr K will, no doubt, disagree with that. I can understand why, and I don't mean to condemn his approach to the change in his financial circumstances. Mr K took appropriate action to address things by pro-actively contacting HSBC; that's certainly a well-placed attitude. The key point to remember here, though, is that it's only fair and reasonable for me to uphold a complaint in circumstances where I can conclude a business did something wrong. For the reasons I've explained, I don't find that HSBC was wrong to default Mr K's accounts; it hadn't received repayment, for a sustained period, and it reasonably decided to act in-line with guidance applicable to such situations.

Understandably, Mr K has questioned why other creditors acted differently – accepting a repayment plan offer, for example, and not affecting his credit file. I'm afraid I can't comment on that. All I can consider here is the actions of HSBC, not what any other lender has or hasn't done. I would point out, though, that HSBC had already defaulted both accounts by the time Mr K's over-arching repayment plan, arranged via a third party, was initiated elsewhere with his other creditors. So, generally speaking, I don't think it would've made any difference to the overall position here.

In closing, I know this won't be the outcome Mr K is hoping for. I should also be clear that I don't at all doubt his willingness to repay what he owed; the timing of events here is certainly unfortunate. But for the reasons I've explained, I don't find that HSBC did something wrong – it follows that I don't require the bank to take any further action, and I don't uphold this complaint.

My final decision

My final decision is that I don't uphold Mr K's complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 11 July 2025.

Simon Louth
Ombudsman