

The complaint

Miss T complains HSBC UK Bank Plc acted unfairly by defaulting and then closing her account.

What happened

Before explaining what's happened, I wanted to set out that Miss T originally asked this Service to look into several concerns in relation to the account she held with HSBC. But I've separately decided our Service can't look at all of the issues she raised, and I have communicated that to Miss T.

That means this decision will only be looking at Miss T's concerns that HSBC defaulted and then closed her account.

Miss T held a bank account with HSBC, with an agreed overdraft of £20. In 2019 HSBC made a duplicate payment into her account, which they later recalled. But before doing so, Miss T transferred the money out of her account, which meant when HSBC recalled the funds, it left her account overdrawn by £4,437.85.

HSBC asked Miss T to repay the funds, but as no repayments were made the account was defaulted and later closed in December 2021.

In January 2024 Miss T contacted HSBC to complain. She said she'd been out of the country and wasn't aware her account had been defaulted and closed. She also didn't think it fair HSBC was asking her to repay the funds as she thought their error had caused the problem in the first place.

HSBC issued their final response letter in February 2024. In this it explained they'd tried to contact Miss T on several occasions since 2019 to offer repayment plans. But as this hadn't been set up, or the debt repaid they'd made the decision to default and close the account.

Unhappy Miss T contacted this Service. She didn't think she should be held responsible for what she considered to be HSBC's error. Saying HSBC should remove the default, waive the amount and correct her credit history. Miss T also explained she'd been out of the country for a significant period of time, suffered with depression, significant stress and the loss of close family members. She also said she had dyslexia and considered the lack of accessible communication from HSBC had been a disadvantage to her.

An Investigator here reviewed matters but didn't think HSBC had acted unfairly. They said HSBC had supported Miss T over several years, by putting in place breathing space, stopping the collections process for periods of time and giving her clear notice of their intention to close the account. But ultimately, as Miss T hadn't made any repayments they were within their right to close the account and had done so fairly.

Miss T disagreed, saying she had no prior financial experience in the UK and was unaware of the long-term consequences. She added that given she considered it was HSBC's error initially, they should remove the default and amount she owed.

As no agreement has been reached Miss T's 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.

As explained above, this decision will only consider the actions of HSBC in asking Miss T to repay the overdrawn amount, defaulting and subsequently closing Miss T's account. That's because our service doesn't have the power to consider the other aspects of her complaint.

I understand why Miss T is upset HSBC defaulted and closed her account. However, HSBC were entitled to ask Miss T to repay the overdrawn amount – that was something Miss T agreed to within the terms and conditions of the account.

HSBC wrote to Miss T on a number of occasions asking her to repay the overdrawn amount, at the same address our Service hold on file. They also attempted to contact her by phone as well as offering to complete affordability assessments to help her repay the amount over a period of time. These letters also explained the steps HSBC would need to take should repayment not be made, namely sending a notice of default and final demand as well as reporting information to Credit Reference Agencies (CRA's). HSBC also provided contact information within these letters for third-party organisations able to support Miss T in repaying her debt.

As no repayments were made HSBC issued a notice of default in June 2021, followed by a final demand letter in August 2021. This explained Miss T had until 11 September 2021 to repay the outstanding amount. If she didn't do this, HSBC said they may close her account and attempt to recover the funds. As Miss T didn't make any repayments her account was closed in December 2021.

Given Miss T didn't make any repayments or come to an arrangement with HSBC about how she would repay the debt, it seems reasonable they did what they said they would in their letters – namely close her account and consider recording a default on her credit file. It's important to say their terms and conditions also allowed for this – so I don't think HSBC acted unfairly in making the decision to close Miss T's account for this reason either.

I note Miss T made HSBC aware that she was suffering with her mental health, as well as stress and anxiety – and as a result I'm pleased to see they offered her breathing space for several months from October 2019. And based on what I've seen, it doesn't appear interest or charges have been applied to the amount Miss T owes either. So I think HSBC has acted fairly in this regard too.

Throughout 2020 HSBC made several attempts by phone and letter to contact Miss T. I note she did visit branch in March 2020, but continued to dispute the money was owed.

I'm aware Miss T has also said she has dyslexia and isn't used to UK financial services and as such doesn't consider HSBC's communication to be accessible. However, as I've said Miss T was in regular contact with HSBC through various channels, by phone, email and in branch. And I haven't seen anything to confirm she asked for communication in a specific way, so I can't say HSBC should have communicated with her differently as a result.

Miss T has also said she was out of the country for several years, so wasn't aware her account had been defaulted and subsequently closed. However, as I've explained above, I think HSBC were clear the overdrawn amount needed to be repaid, and although she didn't agree, Miss T was in correspondence with HSBC about this. So I think it's reasonable to say

she should have been aware she needed to make repayments. And for the same reason as above – I've seen nothing to say HSBC should have been aware Miss T was out of the country so not receiving their correspondence about the default and subsequent closure.

In summary, HSBC haven't acted unfairly in how they've handled matters here. It was reasonable for them to ask Miss T to repay the overdrawn amount and they gave her sufficient support and time to do this. Because Miss T made no attempt to repay the funds, HSBC acted fairly in their decision to default and later close the account, giving sufficient notice. I understand Miss T is concerned about the impact this might have on her credit history, but HSBC has a duty to make sure the information they report to CRA's is correct – and what they are reporting here is a true reflection of what's happened. So I don't think HSBC has acted unfairly.

So having considered everything I don't think HSBC have acted unfairly, so I won't be asking them to take any action here.

My final decision

For the reasons I've explained, I do not uphold Miss T's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 17 June 2025.

Victoria Cheyne
Ombudsman