

## **The complaint**

Miss O complains that HSBC UK Bank Plc unfairly defaulted her overdraft account.

## **What happened**

Miss O had a current account with HSBC, which had a £250 overdraft facility. Miss O says that the account was always up to date, until she had a change in personal circumstances, which affected her mental health and financial position. Because of this, she says she found it difficult to communicate with businesses.

She said that she received various letters from HSBC, and she contacted them a few times to explain her financial position and her mental state, but HSBC did nothing to help her. Eventually, the account defaulted and was passed to a debt collection agency. Miss O then made repayments to the debt collection agency and repaid the debt in full in August 2023.

Miss O says that the default has caused her to not be able to get credit elsewhere and she has been prevented from moving house. She also explains that HSBC recorded the date she settled the account incorrectly.

HSBC responded to Miss O's complaint, but it didn't uphold it. It said it hadn't received any credits to the account since June 2021. It explained it had sent Miss O various letters about the overdraft, but because no arrangement was made to repay the balance, a final demand was issued, and the account was ultimately closed.

In a further response, HSBC offered Miss O £100 for some issues in its handling of her complaint. It explained that it took a business decision to pass her account to a debt collection agency, which it was entitled to do. And it confirmed that it had updated the date the account had been satisfied with the Credit Reference Agencies (CRA's) to show as August 2023 (which was changed from September 2023).

An Investigator considered the evidence provided by both parties, but they didn't think Miss O's complaint should be upheld. They found that HSBC had made numerous attempts to contact Miss O about the outstanding debt, and because no repayments were received into the account, they didn't find it unfair or unreasonable of HSBC to have defaulted the account.

Miss O didn't agree with the Investigators view. In summary, she explained that she had contacted HSBC, and it didn't offer her any support. She said it only gave her 18 days to repay the overdraft amount. And she was told that when the account was passed to the debt collection agency that her credit score wouldn't be affected. Miss O also added that HSBC told her it had stopped applying interest to her account due to her financial position, but on review of her statements, she can see this didn't happen.

Because an agreement couldn't be reached, the complaint has been passed to me to decide on the matter.

## **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 reviewed all of the information available to me, I've decided not to uphold Miss O's complaint – for much of the same reasons as explained by the Investigator. I appreciate this decision will come as a disappointment to Miss O, as I understand how strongly she feels about the matter.

I think it's important to explain I've read and taken into account all of the information provided by both parties, in reaching my decision. I say this as I'm aware I've summarised Miss O's complaint in less detail than she has. If I've not reflected something that's been said it's not because I didn't see it, it's because I didn't deem it relevant to the crux of the complaint. This isn't intended as a discourtesy to either party, but merely to reflect my informal role in deciding what a fair and reasonable outcome is. This also means I don't think it's necessary to get an answer, or provide my own answer, to every question raised unless I think it's relevant to the crux of the complaint.

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.

Miss O was in a sustained period of arrears – beginning in June 2022 when her account went over the agreed overdraft limit – with no repayments being made to the account since June 2021, but importantly here, not brought back in line with the agreed limit. A default was applied to her overdraft account in November 2022, when the account was closed and passed to a debt collection agency.

On the face of it then, HSBC complied with the guidance set out by the ICO. While I can understand this whole scenario was brought about as a result of some changes in Miss O's personal circumstances, that doesn't mean HSBC was wrong to proceed to default given the persistent state of arrears on the account.

The crux of this complaint is Miss O's view that HSBC's actions were premature and disproportionate in her specific circumstances. She's referred, among other things, to how she'd told HSBC about her difficult financial and personal situation, and it offered her no help or support. Miss O thinks HSBC ought to have provided more time for her to repay the debt. I don't, though, see things in quite the same way, and I'll explain why.

Looking at the measures HSBC took, I can see it contacted Miss O by letter on many occasions. I have summarised the content of some of the letters it sent her below:

November 2021 - HSBC sent Miss O a letter which explained that she was using the overdraft more than it would like. And suggested she bring the balance down to £0. It offered the details of some of debt charities if she needed support with her finances.

May 2022 - HSBC sent Miss O a letter asking her to contact it about the use of her overdraft facility – and provided a contact number for her to do so. It offered the details of some of debt charities if she needed support with her finances.

August 2022 - HSBC wrote to Miss O to let her know that her account was over the agreed limit. It asked her to contact it to complete an affordability assessment. It explained that it had a specialist team that could look at options to best support Miss O. The letter explained

that if no contact was made, a demand could be sent, and the account could default. It offered the details of some of debt charities if she needed support with her finances.

September 2022 – Letter explained to Miss O that she needed to make a payment to bring the account back within the agreed overdraft limit.

10 October 2022 - Final demand sent, asking Miss O to pay the full amount outstanding which was £260.88. If payment not made by 28 October 2022, the account will be closed and information about the default will be passed to the CRA's.

I have also seen information from HSBC's internal systems to show that it attempted to contact Miss O on many occasions by phone, but these attempts were unsuccessful.

I have noted that Miss O did make contact with HSBC in August 2022. She says at this point that she told HSBC about her situation. And that HSBC agreed that it wouldn't continue to charge her interest. I can see from Miss O's August 2022 statement that a refund was applied to her account of interest charges for that month. And the statements following this, don't show that interest had been applied to the account.

Miss O has referred to various sections the Financial Conduct Authority's (FCA) handbook (CONC) in relation to how she thinks HSBC failed to support her. In particular, that she wasn't treated with forbearance and due consideration. But I can't agree with Miss O here. As I've explained, HSBC agreed to stop interest charges after Miss O spoke to it, which it did. It had sent her letters offering support and stating that it could come to an arrangement if Miss O spoke to its specialist team. It can only support Miss O and/or come to an arrangement with her if it can communicate with Miss O in some way – but the only contact Miss O had with HSBC was during a relatively short call in August 2022, where the call was disconnected and no agreement reached. I can't fairly find that HSBC didn't make attempts to offer Miss O support, and I'm satisfied that it did show her forbearance by agreeing to waive future interest charges.

In terms of the communication around the account defaulting, I have found HSBC's letters to be clear, in explaining that if certain action wasn't taken, the account could default. In my view, there isn't much more HSBC could have done to make things clearer to Miss O here. It sent Miss O a final demand, which provided her with 18 days to repay the balance. The legislation as set out in Section 88 of Consumer Credit Act, require a firm to provide no less than 14 days to make repayment prior to the account defaulting, so I can't fairly find that HSBC has acted unfairly or unreasonably in the time it provided Miss O to repay the balance. In any event, it had for around 12 months prior to the default, been attempting to contact Miss O about the overdraft and from August 2022, it was trying to come to an arrangement with her to avoid such action, which wasn't successful.

Miss O has referred to past guidance published by the ICO that states a default should only be recorded once the relationship between the parties has broken down. Miss O says the relationship hadn't broken down because she was making repayments to the debt collector. Miss O's account had already defaulted at the point it was passed to the debt collection agency. But aside from that, more recent guidance from the ICO takes the view that it's ok for a lender to record an account in default if it's in arrears of three or more months. So I don't think it was unfair of HSBC to have taken the action it did in defaulting the account. In addition to this, HSBC is required to report accurate information to the CRA's to reflect how someone has managed their account. In this case, the default accurately reflects how Miss O managed the account.

I note that Miss O also feels that HSBC hadn't taken into account her vulnerabilities when it dealt with her. I haven't seen any evidence in support of this assertion. The only evidence I

have seen is of HSBC making attempts to support Miss O. Just because Miss O was struggling with both her finances and her mental health, doesn't mean that it was unfair or unreasonable of HSBC to have taken action to default the account.

Miss O will, no doubt, disagree with what I've said here. I can understand why she might feel HSBC's actions have been unfair given her circumstances at the time. 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 Miss O's account; it hadn't received repayment, for a sustained period, and it reasonably decided to act in-line with guidance applicable to such situations. It attempted to make contact with Miss O on many occasions prior to it defaulting the account. And it made attempts to support Miss O.

While I have a lot of sympathy for the very difficult situation Miss O has described which she says has been caused by the default. For the reasons I've explained, I can't fairly conclude that HSBC has acted unfairly or unreasonably here.

### **My final decision**

For the reasons set out above, I don't uphold Miss O's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss O to accept or reject my decision before 15 July 2025.

Sophie Wilkinson  
**Ombudsman**