

## **The complaint**

Mr O complains that HSBC UK Bank Plc registered a default on his credit file without notification, following the closure of his accounts.

## **What happened**

Mr O says that HSBC suspended his current account without explanation in May 2023. He says that, despite over 50 hours on the phone to them, nothing was done until he made a formal complaint in December 2023. Mr O says that he had over £500 in the account and, although HSBC claims to have sent him a cheque he hasn't received it. Subsequently Mr O says he discovered that HSBC had registered a default on his loan account whilst he was still making monthly payments. He says he made a further complaint in April 2024 and adds that HSBC keeps sending letters even though he's requested correspondence by email.

HSBC says it initially blocked Mr O's accounts on 31 May 2023 and requested further information about some of the credits. It says that, following a review, a decision was made to close the accounts as per its terms and conditions, and Mr O was asked to repay his loan on 11 September 2023. HSBC says a default notice was then sent to Mr O on 29 January 2024, as it had only received contractual payments. This was followed by a final demand letter giving him until 26 March 2024 to repay the balance. It says that when the balance was not received, the loan account was transferred to a debt collection agency (DCA) and Mr O's accounts were closed with a cheque issued for the credit in his current account. HSBC adds that Mr O's credit file accurately reflects the management of his HSBC accounts.

Our investigator did not recommend the complaint should be upheld. He was satisfied that HSBC gave Mr O appropriate notice of the default and that it was correctly applied.

Mr O responded to say, in summary, that he did not receive any letters from HSBC regarding a final demand or notice that a default would be applied. Instead, he says, he received several emails saying it hadn't yet resolved his complaint, and only phoned HSBC when he saw the default on his credit report. Mr O says he would have made the payment had he received the letter, but email was the agreed method of communication.

## **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.

Firstly, I need to clarify that I am not looking at the merits of the complaints that were addressed in the final responses dated 25 January 2024, 7 February 2024 and 20 March 2024. I understand Mr O has already accepted £100 compensation for the length of time it took HSBC to review his accounts once they had been blocked.

I will be considering what happened in the lead up to the registering of the default on Mr O's loan account in April 2024.

Mr O's loan account was closed, along with his other accounts, following the outcome of HSBC's review. I'm satisfied that HSBC acted within the terms and conditions of Mr O's accounts when it did so.

Mr O had a credit balance of £151.24 in his current account at the time and HSBC sent him a cheque for this amount. I've seen evidence to show that Mr O cashed this cheque in November 2024.

The loan account had an outstanding debit balance at the time of the closure, so HSBC asked Mr O to repay this balance. As HSBC continued to receive only the contractual monthly repayments, it sent him a default notice on 29 January 2024. Although Mr O is now saying he didn't receive this letter, I've seen the contact notes from HSBC, and they show that Mr O called HSBC on 5 February 2024 regarding the default notice he'd received. Mr O was disputing it as his loan account was up to date, but it was explained to him that the notice had been sent as the account was to be closed.

I acknowledge that Mr O then requested no further letters from HSBC, but it was outlined to him that additional letters would follow concerning the outstanding balance as this was a regulatory requirement.

I've seen a copy of the subsequent final demand, dated 8 March 2024, and I'm satisfied this makes it clear what will happen if the outstanding balance of £4,897.20 was not paid by 26 March 2024:

*If you fail to pay by 26 March 2024 we:*

- *may close your account and take steps to recover the amount you owe through our Repayment Services team. They will get in touch to discuss this with you;*
- *will disclose information about the default on your account, including the date and amount outstanding, to the Credit Reference Agencies...*

So, I cannot agree that Mr O's loan account was closed without him being informed and I do not find that HSBC made an error when it transferred the account to a DCA and registered a default on his account.

### **My final decision**

My decision is that I do not uphold this complaint.

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

Amanda Williams

**Ombudsman**