

The complaint

Mr F complains that HSBC UK Bank Plc ('HSBC') reversed payments from his account and unfairly registered a default on his credit file.

What happened

Mr F held a graduate account with HSBC with an arranged overdraft facility. In June 2024, Mr F received four payments from a third party amounting to £7,500. Mr F transferred the funds out of the account soon after they were received.

In July 2024, HSBC contacted Mr F to ask him for details about the payments in order to provide proof of entitlement to them. HSBC also reversed the final two payments Mr F received into his account in July 2024. Mr F already had an arranged overdraft of £500 on his account and following the reversal of the payments, Mr F's account was left in an unarranged overdraft of £5,500.

Mr F went to a HSBC branch in July 2024 and explained that he'd sold a luxury watch, which was a family heirloom, to a buyer he had found via a social media platform. Mr F supplied screenshots of messages which he said showed that he had been approached to purchase the watch on a social media platform and there was a conversation regarding the buyer sending Mr F a deposit of £2,500 for the watch. Mr F said he met with the buyer in central London, and they subsequently sent him the remaining payments of £2,000 and £3,000 for the watch. Mr F says he then handed the watch over to the buyer.

In September 2024, HSBC wrote to Mr F and advised it would be closing his account. It also sent Mr F a pre-demand notice at the beginning of October 2024, requesting that Mr F repay the balance of £5,500. The letter stated that if Mr F didn't repay the balance or get in touch with HSBC, it would send Mr F a final demand. HSBC subsequently sent Mr F a final demand, later in October 2024, as it hadn't received a repayment of the outstanding balance. The final demand requested that Mr F repay the full balance by 10 November 2024 and if payment wasn't received, Mr F's details would be passed to HSBC's repayment services team and a default would be registered on Mr F's credit file. Mr F didn't make any payments towards the balance and HSBC subsequently registered a default.

Mr F complained to HSBC in December 2024, because he was unhappy about the application of the default. HSBC issued its final response to the complaint and in summary it said:

- HSBC understood Mr F was unhappy that he'd defaulted for the balance of £5,500 and the balance owed should only be £500
- HSBC wrote to Mr F in September 2024 to inform him that his account would be closed, in line with the account terms. So, the closure of the account had started HSBC's collections process and since Mr F hadn't repaid the balance by the date on the final demand, a default had been registered on Mr F's credit file
- Mr F could get in touch with HSBC Repayment Services who would be able to help find a suitable and affordable repayment solution for Mr F

Mr F referred his complaint to our service. He explained that he'd sold the watch because he had lost his job and required funds before starting a postgraduate degree. Mr F said he wasn't informed by HSBC about the outcome of its investigation into the payments he'd received, and the situation was causing him distress, particularly at a time when a close family member was unwell.

One of our Investigators looked into things and didn't uphold Mr F's complaint. In summary, they said:

- HSBC are under numerous legal and regulatory obligations and had closed Mr F's account in line with the terms and conditions
- Mr F had been asked for further information about his entitlement to the funds by our Investigator but he hadn't responded. Taking into account the evidence available, there wasn't sufficient evidence to show Mr F's entitlement to the funds. So, it was fair for HSBC to have removed the funds from Mr F's account, leaving him in an overdrawn balance
- HSBC had written to Mr F to request the funds be repaid and the letters stated that failure to do so could result in the application of a default. The amount wasn't repaid so a default was applied

In response, Mr F provided additional evidence to show his entitlement to the funds by way of his phone bill which he said showed he'd spoken to the buyer of the watch, at the end of June 2024. Mr F provided the first name of the buyer as he said this was the name he was given by the individual when they spoke over the phone, but he didn't have any text messages that were exchanged about the sale of the watch, due to the length of time that had passed. Mr F said he'd searched for evidence of his train ticket for his journey to London when he gave the buyer the watch in person but hadn't been able to locate it.

In addition, Mr F said he thought that only £5,000 of the funds had been disputed with HSBC and he would've expected the sender to dispute all the funds he was sent if they thought fraud had taken place.

Our Investigator looked at things again and explained that they didn't feel the additional evidence Mr F provided changed the outcome of the complaint, because there wasn't sufficient evidence to show Mr F was entitled to the funds in the account.

Mr F disagreed. He said two of the payments he had received for the watch were deposit payments and had been received from the same account that the final two payments came from – so this showed Mr F was entitled to the funds.

Mr F added that he was also unhappy about HSBC's handling of the matter as it didn't adequately respond to Mr F when he asked questions regarding HSBC's investigation and the actions it had taken. Mr F felt he had been ignored and HSBC's communication was poor.

Our Investigator explained Mr F would need to complain to HSBC regarding the issues he was unhappy with relating to the handling of his complaint as it needed a chance to respond, before our service could look into things.

As no agreement could be reached, the matter 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, I have decided not to uphold this complaint. I'll explain why.

Account review

Banks in the UK are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. They are also required to carry out ongoing monitoring of an existing business relationship. That sometimes means banks need to restrict, or in some cases go as far as closing, customers' accounts.

I've reviewed the information Mr F provided to HSBC after it began its review of his account. Having done so, I think HSBC acted reasonably in asking for the information it did from Mr F to show his entitlement to the funds.

Mr F's HSBC account wasn't used for a significant period prior to the payments he received in June 2024. And Mr F transferred the funds out of the account very soon after they were received.

Mr F says the watch was a family heirloom, however he hasn't provided any evidence of previous ownership of it. Mr F says he found a buyer for the watch over a social media platform. The screenshots he's provided don't show the name of the buyer because Mr F says he was 'blocked' by them, so their name no longer appears on the message chain. When asked, Mr F hasn't been able to provide the full name of the person he sold the watch to and he says he has no text messages relating to the conversation regarding the watch, after he says he exchanged phone numbers with the buyer over the social media platform because they've been deleted.

Mr F says he handed the watch over to the buyer, in person when he met them. Having considered all the evidence Mr F has submitted to prove his entitlement to the funds, I don't find the evidence persuasive, nor do I find his version of events to be credible. Mr F hasn't provided any compelling evidence to support his story and I find it implausible that Mr F sold a high value watch to an individual but doesn't know the buyer's full name (despite meeting them in person), nor has Mr F shared any compelling evidence to show the communication he had with the buyer regarding the sale of the watch. So, I find HSBC acted reasonably when it decided that Mr F hadn't sufficiently evidenced his entitlement to the funds.

Mr F is unhappy about the level of service HSBC provided throughout its investigation. HSBC will need an opportunity to respond to Mr F's complaint points in the first instance before this service can consider the complaint - this is in line with the rules that apply to this service.

Default

Mr F has explained the default HSBC has applied has had a significant impact financially and, on his wellbeing,

When HSBC reversed two of the payments Mr F received in June 2024, this took Mr F's account into an unarranged overdraft of £5,500. I've looked at the terms of Mr F's account which says *'if we suspect any payment into your account was made by fraud, or we suspect it is the result of criminal activity of any kind, we can restrict access to your account or remove money without asking you...if you don't have enough money in your account or under an arranged overdraft when we return a payment, this will put your account into an unarranged overdraft'*.

I haven't looked into whether I think HSBC acted fairly in applying the terms here when putting Mr F in an unarranged overdraft and applying a default, and I won't be asking HSBC to award Mr F any redress. I understand Mr F would naturally want to know the information I have weighted in order to reach this finding. But I am treating this information in confidence, which is a power afforded to me under the Dispute Resolution Rules (DISP), which form part of the Financial Conduct Authority's regulatory handbook.

Mr F is able to get in touch with HSBC to discuss his options and arrange a suitable repayment plan to repay the debt.

I recognise how strongly Mr F feels about his complaint, so I realise he will be disappointed by my decision. But overall, based on the evidence I've seen I won't be telling HSBC to do anything more to resolve Mr F's complaint.

My final decision

For the reasons above, I have decided to not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 23 December 2025.

Khadijah Nakhuda
Ombudsman