

The complaint

Mr J complains about information HSBC UK Bank Plc recorded on his credit file.

What happened

In January 2024, HSBC wrote to Mr J to let him know it would close his account on 27 March 2024. The letter said any outstanding balance owed on the account must be repaid by this date, or it would issue a default notice and final demand letter. HSBC said information about a default would be shared with the credit reference agencies (CRAs)

Mr J's account closed with an outstanding balance owed on the overdraft. HSBC sent a final demand for repayment on 28 March 2024, which said he must repay the outstanding balance by 15 April 2024 or it would take steps to recover the amount owed and report information about the account to the CRAs. The letter gave Mr J a phone number to call to make the payment.

Mr J attempted to make a payment into his closed current account on 11 April 2024. However, this was returned to his sending bank the next day – HSBC didn't send any notification that the payment failed to Mr J. HSBC recorded the account as in default.

Mr J complained to HSBC about what had happened. In its final response, sent in February 2025, HSBC said Mr J was warned he had until 27 March 2024 to repay his overdraft and the consequences if he failed to do so. It admitted it didn't inform him that his 11 April 2024 payment had been returned but added Mr J would have been able to see the returned payment on his bank statements. In recognition of this, it refunded £45.49 of interest.

Unhappy with this response, Mr J referred his complaint to our service. He highlighted that no default notice was issued and he attempted a payment in April 2024 in good faith. One of our investigators reviewed this complaint and said HSBC was entitled to record the account as in default. However, they recommended HSBC pay £100 compensation to recognise some of its letters could have been clearer.

HSBC accepted our investigator's recommendation but Mr J did not. He reiterated his complaint points and said £100 compensation was not enough to reflect the impact of HSBC's actions. So, this complaint was referred to me for a decision.

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.

In January 2024, HSBC gave Mr J two months to repay his account. It let him know he needed to repay any outstanding balance before his account was closed. The letter said if Mr J received a demand notice and the balance remained outstanding, his account would be

passed to third parties. It also let him know a default would be recorded with the CRAs. I think the information provided in this letter communicated what would happen reasonably clearly.

I accept HSBC didn't issue a default notice, as it indicated it would do in its January 2024 letter. However, the January 2024 letter had, as I said above, let him know what would happen if a demand was issued and the outstanding balance was not repaid. Mr J then received a demand letter following the account's closure.

Even if HSBC had issued a default notice on 28 March 2024, as it would have been entitled to do, instead of a final demand, it isn't clear that the outcome would have been any different.

In the demand, HSBC had explained to him that he needed to call to make a payment and he didn't follow these instructions. Instead, he attempted to make a payment into his closed account. Mr J would still have needed to call if a default notice had been issued because his account had been closed.

Whilst it would have been helpful for HSBC to notify Mr J that the payment had been returned, it is normally the sending bank that notifies its customer of a returned payment. I think HSBC's refund of interest was reasonable in the circumstances. There's no evidence to suggest Mr J

was unable to access his statements to check the payment had been made successfully. In any event, and whilst I appreciate his frustration, it was ultimately Mr J's responsibility to ensure the outstanding balance of his account was repaid by 15 April 2024 to avoid his account defaulting. Whilst he says the reason for not settling the debt is because of this complaint, Mr J hasn't repaid the outstanding balance since he became aware his payment failed so it isn't clear that he would have done so if a default notice had been issued or HSBC had made contact after the failed payment in April 2024.

The Information Commissioner's Office (the ICO) has set out guidance that says it is possible for a default to be recorded without a notice being issued if it is an accurate reflection of events and the customer had been notified that this may happen. Mr J had been notified this may happen in HSBC's January 2024 letter. The outstanding balance was not repaid after giving reasonable notice of the account closure and the consequences of not making a repayment. So, I think HSBC was entitled to record the account as in default. I understand the impact this has had on Mr J, but I don't think HSBC is obliged to remove the default as he has requested. Given the above, I don't think it is reasonable to require HSBC to compensate Mr J for any impact the default has had on him.

Mr J has asked HSBC show his account was settled in April 2024, when he attempted to make a payment. However, no payment was received by the date of HSBC's final response so it wasn't obliged to do this. The ICO sets out that a credit file must be an accurate reflection of the account, so HSBC only has to show a debt is settled or satisfied once the outstanding balance is repaid.

Our investigator felt HSBC's letters could have been clearer and HSBC agreed to pay £100 compensation. I do think HSBC's January 2024 letter was clear the outstanding balance should be repaid before the account was closed on 27 March 2024. I also think the formal demand was clear when it gave Mr J a phone number to call to make a payment. However,

the demand could have reiterated the information given in the January 2024 letter that a default would be recorded if the outstanding balance was not repaid by the deadline in its letter. As I said above, I don't think this made a significant difference in this case so I think £100 fairly recognises the distress and inconvenience caused to Mr J.

I note Mr J has mentioned HSBC's recent actions. I confirm my decision covers HSBC's actions until the date of its final response in February 2025. If Mr J has a complaint about HSBC's actions since that date, he should contact HSBC directly to make a new complaint.

Putting things right

HSBC UK Bank Plc should pay Mr J £100 compensation.

My final decision

I uphold this complaint and require HSBC UK Bank Plc to pay Mr J £100 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 7 January 2026.

Victoria Blackwood

Ombudsman