

The complaint

Miss L is unhappy HSBC UK Bank Plc, trading as first direct ('first direct') did not make the consequences to her credit file clear if she did not clear her unarranged overdraft.

What happened

I issued my provisional decision to both parties explaining why I did not think Miss L's complaint should be upheld, and invited both parties to provide any further evidence and / or submissions in reply.

The background to this complaint was set out in my provisional decision together with my provisional findings which are both copied below and now form part of this final decision.

Background

Miss L took out a first direct current account in May 2024. In November 2024 two standing orders took Miss L's account into an unarranged overdraft and first direct notified Miss L of this via SMS. Ten days later a direct debit payment took the account further overdrawn. In mid-December 2024 Miss L paid £20 to the account to return it to credit.

The account became overdrawn again at the end of December 2024 due, once more, to the two standing orders and direct debit. first direct issued another SMS letting Miss L know she had entered into an unarranged overdraft.

The account continued to become further overdrawn due to the monthly two standing order payments and direct debit payment. In May 2025 the account reached £74.54 overdrawn. On realising, after looking at her credit file report, that the account was overdrawn and several months of arrears were being reported, Miss L returned the account to credit at the end of May 2025, and raised a complaint.

first direct said they had not done anything wrong, noting that Miss L had been sent three letters letting her know the account was overdrawn and that she needed to return the account to a position of credit.

The Investigator concluded Miss L's complaint should not be upheld. They explained first direct's responsibility to report accurate information to the credit reference agencies (CRAs) and noted first direct's attempts to highlight to Miss L that her account was overdrawn and needed repaying.

Miss L strongly disagreed. To summarise, Miss L said first direct had not made the consequences of failing to repay the overdraft clear enough, and they had not treated her fairly.

Provisional findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I am aware Miss L has raised points around first direct's practices in general, so it may help if I first explain it is not for our service to fine or punish a firm, or to interfere with a firm's systems, processes or controls as these are all considerations for the appropriate regulator.

My role here is to reach a fair and reasonable decision for both parties, taking into account any relevant law and regulations, regulator's rules, guidance and standards, codes of practice and (where appropriate) what is considered to have been good industry practice at the relevant time.

I want to assure both parties that while I have only included a summary of what has happened above, I have reviewed all the available evidence and submissions. And while I may not respond to every individual point either party has raised, this is because I have focused on what I consider relevant to reaching a fair and reasonable resolution in this matter.

At the heart of this matter is whether first direct were entitled to report Miss L's account as in arrears, and whether it was fair of them to do so.

The Information Commissioner's Office (ICO) sets out guiding principles for the reporting of arrears, arrangements and defaults to the CRAs. The ICO's principles set out if an expected payment is not made by the agreed time and / or for the agreed amount according to the terms and conditions of the account, then the account can be reported as being in arrears.

The ICO's principles explain the purpose of arrears is to indicate at the earliest reasonable opportunity that a customer is showing signs of potential financial difficulty or inability to manage their finances. And they set out that the status of arrears can be based on missed payments or months past the repayment date.

The principles set out a default may be recorded usually when the account is three months in arrears, and normally by the time the account is six months in arrears.

Miss L did not have an agreed overdraft, so the payments described above took her account into an unarranged overdraft.

Having reviewed the terms and conditions of Miss L's account these explain that an unarranged overdraft is for emergencies and that if an account is taken into an unarranged overdraft then, *'You must get your account back in credit, or within any arranged overdraft limit, as soon as possible. And you must always do this within 31 days if we've allowed it for a particular payment'*.

In Miss L's case, the standing order payments and the direct debit payments had been allowed, even though there were not enough funds in the account.

The terms and conditions also say that overdrafts are meant to be for short-term borrowing and that payments must be made *'at least monthly'* to reduce what is owed. The terms and conditions also state that all overdrafts are repayable 'on demand', meaning first direct can ask for the money to be paid back straight away, although usually they would give advance notice.

Miss L's account entered into the unarranged overdraft at the end of December 2024 and remained in an unarranged overdraft until the end of May 2025. There were no credits made to the account during this period to reduce the unarranged overdraft. I think it fair to say the account was therefore in an unarranged overdraft for four months (January – April 2025).

first direct did not report Miss L's account as defaulted, but they reported Miss L's account as being four months in arrears. In light of the above, I think first direct were entitled to do this.

I've also considered whether, in the circumstances, it was fair of first direct to do so.

As noted earlier, first direct sent a SMS to Miss L in December 2024 when the account entered into an unarranged overdraft letting her know this had happened. first direct also issued Miss L three letters on 6 March 2025, 26 March 2025 and 25 April 2025 all referencing Miss L's need to clear the unarranged overdraft. The letters are correctly addressed. Miss L's statements also show when the account became overdrawn.

I've considered what Miss L has said about the letters not being clear in setting out the consequences to her credit file should she not repay the unarranged overdraft. I can see that the letters do not specifically say this, which may have been helpful, but the letters also indicate the possibility / intention to close Miss L's account if the overdraft is not repaid – which was not an insignificant consequence. And I am mindful the letters were requesting payment which Miss L did not make within the specified timeframes – which Miss L accepts.

I have also noted that Miss L returned her account to credit in early December 2024 after her account had previously gone into an unarranged overdraft in November 2024 by £10.54 - Miss L transferred £20 into the account on 11 December 2024. So I think it's reasonable to say Miss L was aware of the balance on the account and that she needed to manually make payment to the account to cover the two standing orders and direct debit.

first direct's privacy notice explains how they will handle Miss L's data and sets out that they will share information about Miss L with the CRAs, including the status of Miss L's account and repayment history. And that the CRAs may give this information to other organisations.

I realise how important Miss L's financial standing is to her given her intention to purchase a property in the future, and I understand that things are not easy for Miss L personally – my findings here are not intended to come across as dismissive of that; however, taking everything into account I have not seen enough here to persuade me that first direct, in the circumstances, have done something wrong or acted unfairly. That is I think first direct were entitled to report the arrears to Miss L's account when they did, and it was, in this case, fair of them to do so.

Responses to my provisional decision

first direct acknowledged receipt of my provisional decision. They did not provide me with any further evidence or submissions to consider.

Miss L did not respond to my provisional 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.

As the deadline set out in my provisional decision to provide any further submissions or evidence has now passed, and because neither party have provided me with anything further to consider, I see no reason to depart from the conclusions reached in my provisional findings set out above.

That is, having reviewed what happened in relation to Miss L's complaint I think first direct were entitled to report the arrears on Miss L's account to the CRAs when they did, and given

the circumstances it was fair of them to do so.

My final decision

For the reasons above, my final decision is that I do not uphold Miss L's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 5 March 2026.

Kristina Mathews
Ombudsman