

The complaint

Mr S complains HSBC Bank UK Plc wrongly recorded a default against him, and this caused severe distress and inconvenience.

What happened

The facts of the complaint are well known to both parties, so I will only provide a summary of the key points.

Mr S held a HSBC account, and from around February 2025 onwards Mr S was persistently in his overdraft. Mr S liaised with HSBC's Financial Support Team and it was agreed that Mr S would be provided with a Debt Consolidation Loan to help manage the overdraft debt and his general financial situation.

In early June 2025 HSBC closed the account and applied a default to Mr S's credit file. Mr S raised a formal complaint about the error – explaining in detail the impact HSBC's actions had on him. Mr S detailed his personal and health situation, which meant the error had a significant impact on him. Mr S sought financial compensation of £5,000 for the detriment caused to him.

In its final response letter dated 28 August 2025 HSBC accepted the account closed and a default was applied due to a processing error. It confirmed the account had been reopened and Mr S's credit file would be updated and the default removed. HSBC said its offer of £900 compensation was fair, and it wouldn't be able to increase this amount to £5,000. On 1 September 2025 HSBC paid Mr S the £900 compensation.

Mr S remained unhappy and referred his complaint to our service. An Investigator reviewed his concerns and gathered the relevant evidence. In summary, they made the following findings:

- HSBC did make an error, and it accepts that it handled Mr S's account incorrectly. This did cause Mr S distress and inconvenience.
- The £900 compensation payment is fair and higher than our service would recommend.
- HSBC doesn't need to take any further action.

Mr S disagreed and reiterated his points regarding the impact HSBC's mistake had on his health. Mr S referred to his anxiety and depression which were worsened by this error and Mr S was unable to work due to the stress caused. Mr S says the £5,000 includes loss of earnings and it is a reasonable sum for HSBC to pay.

As no agreement could be reached the complaint was referred to me – an ombudsman – for a final 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.

Firstly, I am sorry to see Mr S has had cause for complaint. I can see from the evidence provided that the account has been a source of stress, and he has experienced personal difficulties. I don't underestimate the concern this situation has caused, and also the worry of dealing with the complaint about it. Having looked at the complaint fully, my review of the evidence has led me to the same overall conclusions as the Investigator previously set out and for much the same reasons. I will explain why.

My review of Mr S's account shows the account was in difficulty as Mr S was persistently in his overdraft. Once a business such as HSBC is told, or it realises, that a customer is experiencing financial difficulties we would expect it to exercise forbearance and due consideration, in line with its regulatory obligations. In simple terms this means HSBC should treat Mr S fairly and given them the appropriate support.

In Mr S's case I can see Mr S was in touch with the Financial Support Team and a Debt Consolidation Loan had been given to Mr S. This would prevent his account from closing and any defaults being applied to his credit file. It's not in dispute that matters were not handled well from here onwards by HSBC. Due to a processing error the account closed, and a default was applied to Mr S's credit file. The steps taken to remedy this error is the crux of Mr S's complaint.

The timeline of events shows that as soon as HSBC became aware of its mistake it attempted to contact Mr S to explain the situation. HSBC reopened the account and requested the default be removed from Mr S's credit file – although this would take up six weeks. HSBC has aimed to place Mr S back in the position he would've been in had the error not happened by taking these steps. I consider its approach to be reasonable in the circumstances, and I can see it acted promptly as soon as it became aware of the error.

As well as taken remedial action, HSBC offered Mr S £900 in compensation. HSBC offered this sum in light of Mr S' comments about his health. I appreciate Mr S's openness with this service about the issues he has faced with anxiety and depression. I don't underestimate the impact the issues with HSBC had on him at what was already a challenging time. So I've thought carefully about the compensation HSBC has paid and whether I consider it to be fair in Mr S's individual case.

Mr S has provided a sick note from his GP and says he has been subscribed anti-depressants and he needs counselling sessions. Mr S says the issues with HSBC have exacerbated his anxiety and stress levels, meaning he is unable to work and even attend sessions at the job centre. Mr S says the emotional and financial impact on him is so severe that HSBC ought to pay him £5,000.

I've weighed up Mr S' submissions in light of the timeline of events, and I am not persuaded HSBC can be held responsible to the extent Mr S has outlined. I appreciate Mr S was vulnerable at the time the error occurred, but HSBC's remedial action was swift, and Mr S wasn't left in a position where he was unaware of how HSBC would put things right for an extended period of time. In addition, much of the evidence Mr S has provided reinforces the difficult position he was already in with his health. From what I can see Mr S was already out of work and dealing with anxiety and depression before the issues with HSBC escalated. Whilst I don't doubt the issues with HSBC would've added to his worries, I don't think it would be fair or reasonable for HSBC to be held entirely responsible for the decline in his health by paying him £5,000 compensation.

Reaching an award for distress and inconvenience is seldom straightforward. The issues involved are subjective by their very nature and the impact on the consumer can be difficult

to determine. Our awards are not intended to be punitive for businesses, and their fundamental aim is to recognise the impact on a consumer where there have been shortcomings. Having considered the timeline of events and the details Mr S has provided I think the compensation is reasonable and I don't find HSBC's actions warrant further compensation as the evidence available shows it acted reasonably in trying to remedy its errors. I must also highlight the £900 paid by HSBC is higher than the compensation levels our service would consider awarding based on the facts of Mr S's case.

I'm sorry this isn't the outcome Mr S hoped for. I do hope my final decision provides some assurance that his concerns have been properly considered and sets out why I won't be asking HSBC to take further steps to compensate Mr S.

My final decision

My final decision is that I don't uphold this complaint.

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

Chandni Green
Ombudsman