

## **The complaint**

Ms N complains that HSBC UK Bank Plc:

- stopped taking loan repayments.
- passed an incorrect debt amount to a debt recovery company.
- placed a default marker against her name.
- registered an adverse fraud marker against her name.

## **What happened**

As the circumstances of this complaint are well-known to both parties, I have summarised them briefly below.

Ms N held an account and loan with HSBC. In early 2023, Ms N received three payments into her account that were reported as fraud. HSBC contacted Ms N to request her entitlement to those payments but was not satisfied with Ms N's response.

HSBC made the decision to close Ms N's account, demand full repayment of her loan and loaded an adverse fraud marker against her name to the Cifas database. Ms N failed to meet the repayments of that loan, so HSBC passed it over to a debt collection company and registered a default against her name.

Ms N was unhappy with HSBC's actions, so she raised a complaint. After investigating that complaint, HSBC acknowledged that it had made an error. It found that it had incorrectly recorded the amount owed on the loan when passing it over to the debt collection company and had recorded the wrong date for the default marker. It corrected these errors and offered to pay £100 for the distress and inconvenience caused. However, it told Ms N that it had recorded the default and Cifas marker correctly.

Ms N remained unhappy with HSBC's response, so she referred her complaint to our service for an independent review. An Investigator considered the evidence and testimony provided by both parties, but concluded that HSBC had acted fairly in its response to Ms N's complaint. They didn't recommend the complaint be upheld.

Ms N didn't agree with that assessment, so the matter has now 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.

As Ms N has complained about several issues she has experienced with HSBC, I will deal with each point individually.

*Was HSBC fair in recording a Cifas marker against Ms N's name?*

One of the relevant considerations here is set out by Cifas: the fraud marker database controller. In its Handbook—which members must adhere to when loading markers—it sets out the burden of proof the member must meet. The relevant standards regarding this complaint are:

1. That there are reasonable grounds to believe that a fraud or financial crime has been committed or attempted.
2. That the evidence must be clear, relevant and rigorous.

My interpretation of these standards is that a member cannot simply load a marker against an individual based on mere suspicion. It must be able to meet a higher bar; in that a customer was likely a witting participant in the alleged conduct. This has been reinforced by Cifas' Money Mule Guidance, which it released to its members in March 2020.

I'm satisfied from the evidence that HSBC received three separate fraud reports regarding payments that were made into Ms N's account. It therefore follows that HSBC had reasonable grounds to believe that a financial crime had been committed or attempted.

I'm also satisfied that the second of the above two standards has been met here.

Ms N has not retained any evidence relating to these payments. So she is unable to prove her entitlement to those funds.

Furthermore, Ms N has provided three differing accounts as to why she received these funds. To HSBC she claimed that the funds weren't authorised—and someone had misused her account—, but this changed to Ms N expecting the funds after the sale of a relative's house. There are also records from the debt collection company that Ms N claimed these were funds that were owed to her. While I am not suggesting Ms N has been dishonest with either party, this does cast some doubt over the reliability of her testimony.

Overall, I'm satisfied that HSBC held sufficient justification to record the Cifas marker against Ms N's name. And, as no further evidence had been provided in support of Ms N's legitimate entitlement to those funds, I'm satisfied HSBC can fairly retain that marker against her.

*Did HSBC act fairly when dealing with Ms N's loan?*

HSBC has pointed out that within its terms and conditions, it retains the right to end its agreements where it reasonably believes its customer was involved in criminal activity.

As a result of the fraud reports received, it decided to terminate its lending agreement with Ms N and demand full repayment of the loan. Ms N was provided with an option of entering into a repayment plan with HSBC should she not be able to repay the loan in full. But the repayment plan originally agreed with it was no longer valid.

I can see that Ms N did make further payments, and then set up a Direct Debit with another banking provider, but payments then stopped and Ms N fell into arrears. There may be several explanations for this. I can see that HSBC has claimed that the Direct Debit form had erroneously been filled out omitting two digits from the account details. I can also see that the account Ms N says she set up the Direct Debit with was terminated by the account provider. However, regardless of the reasons repayments failed to reach HSBC, Ms N did have alternative options to make repayments. And I can see from HSBC's contact notes that despite numerous attempts to contact Ms N over the course of six-months, no repayments were made.

As a result, HSBC decided to issue default notices and passed Ms N's complaint to a debt

collection company. I don't find these actions to have been unreasonable.

*Did HSBC rectify administrative errors and pay appropriate compensation?*

HSBC has already admitted that it made administrative errors when passing Ms N's debt over to a debt collection company. It incorrectly recorded a higher balance owed, but rectified this as soon as it was brought to its attention. As HSBC has admitted to this error, I do not intend to dwell on this point.

While the increased amount owed no doubt caused Ms N alarm, and inconvenienced her in bringing it to HSBC's attention, it was a minor administrative error that was rectified quickly and caused Ms N no financial detriment. For this reason, I find the £100 offered by HSBC to be fair and reasonable in the circumstances.

### **My final decision**

HSBC UK Bank Plc has already made an offer to pay £100 to settle the complaint, and I find this offer is fair.

So my decision is that HSBC UK Bank Plc should pay Ms N £100, if it has not already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms N to accept or reject my decision before 25 February 2026.

Stephen Westlake  
**Ombudsman**