

The complaint

Miss Z complained about the way HSBC UK Bank Plc administered her credit card account.

What happened

HSBC issued a default notice on 2 October 2024 as there were missed payments on Miss Z's credit card account and the balance on the credit card was above the credit limit. It asked Miss Z to make a payment of £277.22 before 23 October 2024 and said if it received this payment, it wouldn't take further action. But if it didn't, it would issue a final demand for the balance owed.

Miss Z contacted HSBC on 17 October 2024 and explained that she had medical conditions which affected her ability to manage her finances. HSBC noted Miss Z's disclosure about her health and arranged for "breathing space" for 60 days until December 2024. She was incorrectly told a default notice wouldn't be issued during this time, but information would be reported to the credit reference agencies. She was told to get back in touch within 60 days to review her circumstances.

Miss Z contacted HSBC again on 24 December 2024 to arrange for an extension for help and was told she needed to complete an income and expenditure form. She said that she had submitted this, and HSBC said that it takes an hour to upload but given the time of day requested that Miss Z contact it on 27 December 2024 to discuss her situation and review the circumstances. Miss Z said she was unable to contact HSBC because of her health. As payment wasn't received to the account, HSBC issued a final demand on 10 January 2025 requesting the full balance payable by 28 January 2025.

Miss Z said she received the final demand but didn't contact HSBC due to ongoing health issues and managing work demand.

Miss Z made a payment towards the credit card account on 30 January 2025, but this wasn't for the full amount. As the balance wasn't cleared HSBC closed the account on 3 February 2025 and recorded a default.

Miss Z complained about the default recorded and didn't think HSBC treated her fairly as a vulnerable customer. She said she was told a default notice wouldn't be issued when she agreed breathing space. She wanted HSBC to remove the default.

HSBC agreed it incorrectly informed her that a default notice wouldn't be issued during the breathing space as it had already issued a default notice at the beginning of October 2024 and offered £50 compensation. However, it said as it didn't hear from Miss Z or receive the requested payment, it closed the account and recorded a default after the final demand correctly. It didn't agree to remove the default.

Miss Z remained unhappy and asked for the compensation not to be paid and referred her complaint to the Financial Ombudsman. Our investigator considered the complaint but didn't uphold it. She didn't think HSBC acted unfairly by recording the default.

Miss Z didn't agree, in summary she said:

- Her health conditions significantly affected her ability to manage her communication and financial matters.
- HSBC failed to treat her fairly as a vulnerable customer.
- HSBC's mistake about not being issued a default notice affected her understanding.
- A default wasn't inevitable and HSBC had an opportunity to provide support based on her vulnerabilities to avoid a default.

As the matter remains unresolved it 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.

I've considered all the evidence and arguments provided by both parties, this includes Miss Z's detailed submissions, the medical evidence she's provided and HSBC's account records and correspondence, but I'll focus my comments on what I think is relevant. If I don't comment on a specific point, it isn't because I haven't considered it, but because I don't think I need to comment in order to reach what I think is the right outcome. This is not intended as a discourtesy but reflects the informal nature of this service in resolving disputes. Our powers allow me to do this.

When considering what is, in my opinion, fair and reasonable, I take into account relevant law and regulations; regulator's rules including the Consumer Duty, guidance and standards; codes of practice; and what I believe to have been good industry practice at the relevant time. Where evidence is incomplete, inconsistent or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider most likely to have happened in light of the available evidence and wider circumstances.

I want to thank Miss Z for sharing sensitive details regarding her health – I haven't mentioned them in detail for her privacy, as this final decision is published on our website.

It isn't in dispute that HSBC gave Miss Z incorrect information when it said a default notice wouldn't be issued while she was in breathing space. Miss Z has explained that she relied on this information and believed it would prevent a default being recorded. I've considered carefully whether this misinformation means HSBC acted unfairly overall when it later recorded a default.

I'm satisfied that, even taking this error into account, I don't think HSBC acted unfairly by recording the default. By October 2024, the account had been in arrears for several months and Miss Z was required to either clear the arrears or to engage with HSBC to discuss her circumstances. Miss Z did make contact, and HSBC applied a 60 day hold to the account. I consider this to be an appropriate forbearance measure, consistent with the requirements HSBC needed to follow.

When the hold period ended, Miss Z was required to re-engage with HSBC. Although there was a slight delay she did make contact and HSBC agreed to review her circumstances by requesting income and expenditure information. Miss Z said she completed this online, but HSBC has no record of receiving it. Importantly I haven't seen evidence to show that HSBC agreed a further hold or that it agreed an affordable repayment plan.

I've also considered Miss Z's view that HSBC failed to treat her fairly as a vulnerable consumer due to health conditions. I can see that HSBC was aware of her circumstances and responded by placing a hold on the account requested in October 2024 and then said it

could consider what support it could offer following more information about Miss Z's financial circumstances. HSBC asked Miss Z to contact it on 27 December 2024 to discuss matters.

Miss Z said she did so in January 2025, but HSBC has no record of this conversation. While I recognise Miss Z has said her medical conditions made contact difficult, I must also take into account the information available to HSBC at the time. HSBC's records show Miss Z logged into online banking between 27 December and 8 January 2025 but didn't contact it to discuss her health or financial circumstances until the account had been closed and a default recorded. On balance I'm not persuaded HSBC was made aware of any further difficulties that would reasonably have required it to take additional steps beyond those it had already provided.

As no repayment arrangement was agreed, HSBC issued a final demand letter. Miss Z has said she received this and understood the potential consequences. This is the type of correspondence I would expect to see before a default is recorded, and it also includes information about sources of debt support and various ways Miss Z may have contacted HSBC. I can see from the records that Miss Z had already discussed her wider financial commitments with HSBC when she contacted it after the breathing space ended and had indicated she wouldn't be able to clear the arrears at that time.

For me to be persuaded that HSBC acted unfairly I'd need to see that it didn't support Miss Z when she asked for help. The difficulty here is that HSBC had already issued a default notice in October 2024, so Miss Z remained in default, but it was prepared to offer further support because of her financial circumstances and her vulnerability – by providing her breathing space. It also asked Miss Z to contact it to discuss an income and expenditure but said it didn't receive this and other than Miss Z saying she uploaded this in a chat, I can't see evidence this had been received. I think Miss Z ought to reasonably have been aware she was still in default as she didn't make any payments towards the account for six months.

Based on the available information I haven't seen sufficient evidence to show that Miss Z would have been able to clear the arrears within a reasonable period of time, and therefore it may have been inevitable that Miss Z would have been defaulted. By the point the default was recorded the account had been in arrears for around six months and in line with the Information Commissioner's Office's guidance HSBC recorded a default. In these circumstances and based on what HSBC knew at the time I don't think it acted unfairly or unreasonably by recording a default.

HSBC acknowledged it provided incorrect information about whether a default notice would be issued during the breathing space. To recognise this HSBC offered Miss Z £50 compensation. I agree that while HSBC told Miss Z that a default notice wouldn't be issued, it should have been clearer and explain this was because a default notice had already been issued and she remained in default with the arrears on the account. I consider the compensation to be fair to reflect the misinformation provided and the inconvenience caused. If Miss Z wishes to accept this offer she can contact HSBC directly to arrange payment.

I appreciate how strongly Miss Z feels about what happened, and I recognise the significant health difficulties she said she was experiencing at the time. I know she'll be disappointed with my decision, however while I think HSBC could have been clearer about the issuing of a default notice, I think HSBC acted fairly by recording the default based on the information available, so I won't be directing it to remove it.

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 Miss Z to accept or reject my decision before 13 March 2026.

Amina Rashid
Ombudsman