

## **The complaint**

Mr A complains that HSBC UK Bank Plc (“HSBC”) didn’t fully explain the consequences of entering into a repayment plan and subsequently, marked his account as in arrears and later registered a default.

## **What happened**

I won’t repeat all the facts here, as those aren’t in dispute. I have reviewed the entire file and if I don’t comment on something, it isn’t because I haven’t seen it - it’s that I haven’t deemed it relevant. I mean no discourtesy by this, it’s merely to reflect the informal nature of our service.

In February 2025, HSBC agreed to a six-month plan on Mr A’s credit card account, because he was facing financial difficulties.

The plan was set up during a call with HSBC. And it was during this call that Mr A says he was told he didn’t need to respond to any further letters or emails while the plan was in place. Despite being told this, HSBC defaulted Mr A’s account.

Mr A says the person he spoke to at HSBC wasn’t clear and because of this, they didn’t explain the situation properly or help him to fully understand the consequences. He says there was a language barrier. So, he feels it was HSBC’s poor advice that has caused this issue. Had he known a default could still be registered during this plan, Mr A says he would have taken steps to avoid it. Mr A says he has been impacted by the default on his credit file, and he feels he hasn’t been treated fairly.

He said it’s unfair for a default to have been registered during the first three months of a hardship arrangement where he was explicitly told no payments were required. Mr A questions whether HSBC met its obligations to treat customers in financial difficulty fairly.

In its final response, HSBC didn’t uphold the complaint. In summary, it said the default notice and final demand process was correctly explained during the call and the follow-up letter sent. And, that it hadn’t made an error when defaulting his account.

Our Investigator reviewed matters but didn’t uphold Mr A’s complaint.

Mr A didn’t agree - so the matter 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.

Having done so, whilst I appreciate this will come as a disappointment to Mr A, I’m not upholding his complaint. I’ll explain why.

I can see Mr A was experiencing financial difficulties as early as September 2024, at which time, a payment break was agreed until December 2024. Once the payment break had ended, whilst Mr A refers to a repayment plan, in fact, a “Long Term No Affordability (“LTNA”) plan was set up for six months, in February 2025. This meant repayments weren’t required during that time.

The purpose of this was to stop phone calls in relation to the account as well as charges and interest accruing. What this doesn’t mean, is that the contractual repayments due on the account will be paused, without any consequences. On the contrary, arrears will continue to build.

Lenders have an obligation to provide Credit Reference Agencies (“CRAs”) with accurate information on how a customer’s account is being managed. This is because other lenders rely on that information when it comes to making credit decisions. This includes information on late and missed payments.

The ICO guidance: “Principles for the Reporting of Arrears, Arrangements and Defaults at Credit Reference Agencies” sets out, relevant to this complaint:

***“Calculating and reporting arrears***

*In general, the reporting of arrears indicates that the account has not been maintained according to the terms and conditions. The purpose of reporting arrears is to indicate at the earliest reasonable opportunity that a customer is showing signs of potential financial difficulty or inability to manage his/her finances.*

*Lenders have an obligation to provide Credit Reference Agencies (“CRAs”) with accurate information on how a customer’s account is being managed. This is because other lenders rely on that information when it comes to making credit decisions. This includes information on late and missed payments.”*

And also:

***“2. Should a payment not be made as expected, information to reflect this will be recorded on your credit file***

*If you do not make your regular expected payment by the agreed time and/or for the agreed amount according to your terms and conditions, the account may be reported to the CRAs as being in arrears.”*

So, I’m satisfied therefore that HSBC, when reporting to the CRAs that Mr A missed payments, was doing so accurately, in line with its obligations.

By the time HSBC sent a default notice, in April 2025, Mr A’s account was overdue by around £439 and in excess of his credit limit by around £250. Given payments hadn’t been made for several months by that point, I’m satisfied HSBC correctly registered a default on Mr A’s account; the relevant ICO guidance recommends a default is registered once the account has been in arrears for three to six months.

I appreciate Mr A says he didn’t receive the notice of default – nor the final demand letter sent following this. I’ve seen copies of the letters which are correctly addressed. So, even if Mr A didn’t receive those, I can’t hold HSBC responsible for any issues with the postal service. Mr A also says the letters should have been sent digitally, via his app – as that’s where other correspondence was sent. However, HSBC isn’t obliged to send all documents via the app and the post is a reasonable method to send correspondence.

But, even if Mr A didn't receive the notice of default nor the final demand letter, I'm not persuaded he was in a position to avoid the default anyway. In order to prevent the default, as set out in the default notice issued on 15 April 2025, Mr A needed to pay around £439 before 6 May 2025. As this amount wasn't paid, HSBC then sent a further letter, a final demand for payment, dated 7 May 2025. That letter said Mr A now needed to make the full payment of around £4,751 by 25 May 2025. And if he didn't, that a default would be registered. I've listened to the call recording between him and HSBC which took place on 20 February 2025. He makes it clear he doesn't have a source of income and doesn't know when his financial situation would change. So, I don't think it likely he would have been able to pay the arrears - and certainly not the full amount due on his account at that time.

I acknowledge Mr A's strength of feeling on what he thinks should or should not have happened during the six-month plan. And I note his points around being led to believe by HSBC that because he wasn't being asked to make payments during this time, that a default shouldn't have been registered. He says this is unfair.

But I don't agree that Mr A believes this, because of something that HSBC did wrong. On the contrary, having listened to the call that took place on 20 February 2025, between Mr A and HSBC, when the LTNA was set up, I'm satisfied the agent makes the consequences of this plan very clear.

Relevant to this complaint, I've noted the following from listening to the call recording:

- Mr A confirms he's struggling financially and getting help from family members. He has no source of income and isn't eligible for benefits, he has no savings. He's also behind on some priority bills. He confirmed his situation was unlikely to improve in the foreseeable future and so, when the agent offered a three-month payment break, Mr A requested six months. The agent agreed to this.
- The agent makes it clear that his credit file will be impacted. In particular, at various points during the call, they say:
  - Plans, regardless of the type and length, are still reported to the CRAs because no payment is being received. So, it will still impact his credit score.
  - The longer the plan, the more the collection process will progress.
  - Phone contact, charges and interest will stop – but regulatory notices will continue to be sent. Such as, notice of sums in arrears which inform you of your arrears position, this is sent after two consecutive missed payments.
  - Mr A should expect to receive a default notice which will ask for repayment and if that isn't made by the date, then he should expect a final demand after that. That will ask for repayment of total balance, but if he doesn't pay that, a default will remain on his account for six years and his account will close. Mr A asks if this will happen after six months. The agent confirms *during* the six months, this may happen.
  - *“Arrears will build as the full monthly payments will not be met and these arrears will continue to be reported to CRAs. This may impact your ability to get future credit”.*
  - *“Please remember to read the notices we send you carefully as they will keep you updated on the status of your account”.*

Mr A does express concerns during the call about his credit file being impacted – so it's clear he's keen to avoid this. In response, the agent makes it clear Mr A's credit file will be impacted, as set out above – but also offers Mr A some time to think about things, before

agreeing to the plan. But he agrees to go ahead. Whilst Mr A says that had he known his account may be defaulted, he may have made a different decision, I don't think there were likely, based on the evidence I've seen, other options available to him at that time. Unfortunately, given what he'd explained about his financial situation, it seems he was unable to make payment and therefore it was inevitable his credit file would be impacted.

I appreciate Mr A has said that there was a language barrier which impacted his ability to understand what was discussed during the call. However, having listened to the call, I'm satisfied that the information was presented clearly and that Mr A appeared to understand what was discussed during the call, by answering questions and interacting with what the agent was saying. At various points, the agent pauses, asks if what they've said is clear and Mr A confirms he's understood.

Shortly after the call, HSBC sent a letter to Mr A, confirming the plan had been set up. This was sent digitally, via HSBC's app. Earlier in his complaint, Mr A says he didn't receive this letter. I've seen evidence it was issued on 25 February 2025. And, that Mr A logged into his account twice, on 28 February 2025. HSBC says an email alert would have been sent to Mr A, notifying him of the letter. So, on balance, it seems likely the letter was issued and received/read by Mr A. Even if he hadn't seen it, I'm satisfied the phone call he had with HSBC made matters clear. But I'm also satisfied the letter supported what was said in the call. Relevant to Mr A's complaint, it said:

*"...As no payments will be made during this period to cover the monthly contractual amount, your arrears balance will increase..."*

***...What else do you need to know?***

*As part of our normal process, we will send you a letter about any overdue account(s) where the overdue amount is at a certain level or when a current account is in excess. This will be a Pre Demand letter for your current account or a Default Notice for any overdue Credit Cards or Loan accounts you hold with us. These letters will give you information about the amount you owe on your account, what you need to do to get up to date, and by when. However, as we have discussed your current circumstances, we understand this may be unlikely.*

*If you can't pay the overdue amount by the date shown on the letters mentioned above, we will:*

- *Send you a final demand to immediately repay the full amount you owe on your account, including any interest due.*
- *Share information about the default on your account to the Credit Reference Agencies listed below. This will remain visible for 6 years and may have an impact on your ability to obtain future lending..."*

So, I think this letter made it clear that arrears would continue to accrue while the plan was in place and that a default may be registered. Taking into account both what was discussed during the call and the content of this letter, I don't agree with Mr A that HSBC provided misleading information, nor did it omit important information about how it would report his account to the CRAs.

Overall, I think Mr A ought reasonably to have realised his account would be in a position of default, given the many months of missed contractual repayments. The terms and conditions of his account make it clear that when the agreement is broken, information will be passed to the CRAs. And, as set out above, the phone conversation and follow-up letter made it clear a

default may be registered. So, even in the absence of Mr A receiving the default notice or final demand, I think all of this put Mr A on notice that his account may be defaulted.

Mr A also makes reference to the fair treatment of customers in financial difficulty. But I'm satisfied HSBC did treat Mr A fairly under the circumstances and met its obligations in relation to this. It agreed a six-month plan following a payment break, stopping calls, interest and charges, and during the phone call in February 2025, time was taken to understand Mr A's situation in detail. Relevant advice and support was also offered.

Finally, later in his submissions to this service, Mr A mentions that collection of this debt has continued despite the matter being referred to this service. However, HSBC isn't obliged to stop collecting the debt whilst a complaint is ongoing.

For all the reasons explained, I don't uphold Mr A's complaint.

### **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 A to accept or reject my decision before 18 May 2026.

Sophie Kyprianou  
**Ombudsman**