

complaint

Mr B complains that HSBC Bank Plc closed his account and recorded a default on his credit file.

background

Mr B said that he ran up an overdraft on his HSBC account at a time when he was experiencing financial difficulties. He said that he spoke to HSBC, and it wrote to him, but the letters he got and the information that he was told were conflicting. He said he thought that he had more time to pay off the debt, and his account wouldn't be closed. But then HSBC closed the account. He wanted HSBC to reopen the account, and to repair his credit score.

HSBC said that it realised that it had given Mr B some conflicting information about when his account would be closed. It paid him £100 in compensation to say sorry for the confusion about this. But HSBC didn't think that it had ever told him that he didn't need to worry about the account being closed. It didn't think it needed to reopen his account, or to take any steps to repair his credit file.

Mr B said that HSBC's collections agent had written to him with an offer to settle for only part of what he owed. He didn't think that HSBC would do that if it hadn't done something wrong.

Our adjudicator didn't uphold this complaint. She said that she could see that HSBC had given Mr B some conflicting information. She said that she thought that the £100 that HSBC had paid for this was enough to make up for that. She said that she thought it was clear from the start that HSBC did want Mr B to pay the money back, and that it was going to issue a default notice if he didn't. And because Mr B was waiting for some money which wasn't released at the point when the account was closed and a default put on Mr B's credit file, she didn't think that Mr B would've been able to pay this debt. She also said that as Mr B hadn't used the account for some time, he wasn't inconvenienced by the closure.

Mr B didn't agree with our adjudicator. He said that a branch manager had told him that it would be ok to just pay what he could for now, and then clear this debt once the money he was waiting for was released. Mr B said that if he'd known that HSBC was going to close his account, he said he'd have found the money to pay off the overdraft. His family would've helped him with that. He didn't think that a payment of £100 was enough to make up for his credit score being in tatters now.

Mr B said that he wanted this case to be considered by an ombudsman, so the case was passed to me for a final decision.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I've reached the same conclusion on this case as our adjudicator, and for broadly the same reasons.

Mr B went into an unauthorised overdraft in April 2017. HSBC wrote to him about that, and told him that he would be charged for the overdraft. It wrote to him again in May, and said that it hadn't paid a direct debit. It asked him to contact it about his debt.

Mr B talked to HSBC about his debt, and it wrote to him again at the end of June. It said that it knew that he was in financial difficulties and couldn't set up an arrangement to pay off his debt right now, so it wouldn't contact him to ask him to make payments for a couple of months. But it said that it would still manage his debt in line with the normal procedures. That letter set out what this could mean for his account, and for his credit file. So I do think that Mr B had been warned by HSBC that the position was serious.

HSBC sent Mr B a default notice. That letter also set out the next steps, if Mr B wasn't able to pay off his debt.

Mr B has told us he doesn't know what "*Notice of Default*" means. It's a common term for a letter that a bank or other lender would send out to someone who owes them money. It's usually sent out when someone hasn't been paying for a while. It's sent to give the borrower a chance to pay off that debt before the lender tells credit reference agencies that the debt hasn't been paid. Once the lender tells credit reference agencies that, it can be difficult to get loans or other credit in future.

HSBC kept writing to Mr B. A number of these letters contained deadlines to pay. Mr B doesn't seem to have made any payments onto the account between 30 May and 12 September. He told us that he'd started paying his wages into a different account.

Mr B told us that on 12 September, he went into a branch of HSBC, and told the manager there that he would pay off the overdraft, but that he didn't know when he could do that, because he was waiting for some money to be released, and didn't know when that would happen. Mr B told us that the manager was happy with that, he said "*you will still get letters, but don't worry about them. And if you can just pay something in the meantime to show that you are working towards paying it off. Even if it's just a tenner a month.*" Mr B said that he thought, because of this, that he had plenty of time to clear the debt. But not long after this his account was closed, and passed to recoveries. And a default has been placed on his credit file.

HSBC said that it couldn't ask the branch manager about this, because that person has now retired. But it said that it thought that it was unlikely that a branch manager would tell a customer to ignore any letters that he received about a collections process.

I can see the notes of a call that Mr B had with HSBC, on the same day as he told us he spoke to the branch manager. Those notes say that Mr B told the call handler that the overdraft would be paid off as soon as some money was released to him, and this should happen within one month. It's not clear to me why Mr B would say that on the phone to the call handler, then after that, would tell the branch manager that he couldn't make any commitment about when payment would be made.

There's no direct evidence of what was said by the branch manager to Mr B. So I have to decide what's more likely to have happened. And, on balance, I don't think that it's more likely that a branch manager would tell someone to just ignore letters about a collections process. Those letters can have very serious implications. So I think it's likely that there was a misunderstanding at this point. And, because of the contrast between what Mr B is noted as having said over the phone, and what he told us he then said in branch on the same day, I don't think I can conclude that it's likely that any misunderstanding was HSBC's fault.

I do realise that there has been some confusion over the dates that Mr B was given to pay off his debt. But I think that the letters that Mr B was sent made clear that there would be

serious consequences if he wasn't able to pay off the debt. And Mr B didn't set up any sort of repayment plan. He paid £10 after he had been into the branch, but by then he'd been told in writing that he was going to get a final demand. He paid £50 on 2 October, but that was after he'd been sent a final demand for the full amount. He didn't pay anything else before this account was closed and defaulted, at the end of October.

I haven't seen anything else which might confirm that HSBC would accept ongoing payments of whatever amount Mr B could afford. So the only thing that suggests that is Mr B's recollection of a conversation which I think must've involved a misunderstanding, and which I've explained I don't think I can say is HSBC's fault. Having considered all of the evidence in this case, I do think that Mr B ought reasonably to have been aware that HSBC was going to apply a default to his credit record. That means that I don't think that HSBC did anything wrong when it did that.

I know that HSBC has made some mistakes when it dealt with Mr B, and its advice on how many days he had to make payment has at times been inconsistent. HSBC said, in its letter of 27 September, that details of Mr B's default had already been passed to credit reference agencies. But on a call Mr B had made on 12 September, HSBC told Mr B that he had longer before his debt would be defaulted. HSBC now says that it did give Mr B the right information about how long he had before his account would be closed on that call. It told him then that he had 43 more days in collections. That would mean that Mr B's account would be closed and defaulted around 25 October. In fact, HSBC seems to have given Mr B a little longer than this, as it now says it closed and defaulted his account on 30 October.

Because the dates that HSBC has given Mr B have varied, I do think that HSBC has caused a little confusion in this case, but I think it's important that HSBC actually gave Mr B more time than it said it would to pay off his debt, not less. And I also don't think that this possible confusion is the reason why Mr B has a default on his credit record now. Because of that, I think that £100 is a fair amount of compensation to make up for the mistakes that HSBC made in this case.

Mr B's account was closed and passed to recoveries at the end of October. Our adjudicator noted that banks would usually provide written notice if they plan to close an account, but in this case she didn't think that Mr B had been seriously inconvenienced by the closure of his account, because he hadn't been using it for some time. I think Mr B had been given quite a lot of notice that there were likely to be serious problems with his account if he wasn't able to clear his debt, and I can see he was told specifically at the start of September that HSBC might withdraw his banking facilities if he didn't pay. I also think it's relevant that Mr B has told us that he was already banking elsewhere. So I don't think that HSBC has to reopen this account for Mr B now.

I realise how disappointed Mr B will be by this, but I don't think that his complaint should be upheld.

my final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 21 September 2018.

Esther Absalom-Gough
ombudsman