

complaint

Mr M complains about how HSBC Bank Plc managed his credit card account in 2016 and 2017.

background

Mr M said that he'd got into some financial difficulties. He said that he'd spoken to HSBC about that in 2016, and it had agreed to freeze the interest on his credit card account debt and wait for some money that he was anticipating. He said he contacted HSBC in late 2016 to tell it that he could pay £2,000 off the debt. He said it was agreed then that if he made this payment, his debt wouldn't be passed to the recovery team and no default would be placed on his credit file.

Mr M said he had some problems making the payment, and when those were sorted out, he was told he couldn't make a payment because the account had already been referred to a different team. And a default had been put on his credit file. He said he was told that this default would be removed, and the debt would be recalled. He didn't know at the time, but this didn't happen.

Mr M said he set up an arrangement to put this account on hold in March 2017, for two months. Then he extended this a couple of times. He told us that he managed to make another large payment, for £1,700, in May. The last extension was on 21 June 2017. But then he said HSBC called when he was away from home, and said it wouldn't extend his arrangement any more, and it shouldn't have told him it would extend on 21 June. Mr M said that this was when he found out that the debt wasn't recalled from the recovery team in December 2016, and the default hadn't been removed.

Mr M wanted the default removed from his credit file. And he wanted HSBC to give him a year with no interest payments, so he could repay the debt. And he wanted HSBC to pay him back for the calls he'd paid for when he was away from home.

When HSBC wrote to us, it said that it had sent Mr M a final demand in October 2016, then it had permanently revoked Mr M's card in November 2016. It had spoken to Mr M in December, when Mr M said he wasn't happy about the account being passed to HSBC's recovery team, and had been told that wouldn't happen if he paid off £2,000 of his debt. He complained about this again later that month and said again that he was about to pay £2,000 of the debt off.

HSBC showed us that it had sent Mr M what seems to be another final demand in March 2017. It received a payment that it wasn't expecting in May. And it wrote to him at the end of June with another two month extension to his time to pay the debt, saying it wouldn't contact him or charge him interest during this period. HSBC said that it had some evidence that Mr M may have been told that his account would be returned from the recovery team, and there seemed to be some notes about this being due to be actioned in February, but that hadn't happened.

HSBC replied to Mr M's complaint about this in September 2017. It told him that a default notice had been issued on 31 August 2016, followed by a final demand on 30 November. He hadn't paid the full amount, so the remaining balance of £11,770.68 was passed to HSBC's debt recovery team then. A default was registered on Mr M's credit file at the point where the

debt was passed over, and that will stay on his credit file for 6 years. HSBC told Mr M it was unable to reverse the actions taken as HSBC has followed its standard process.

Our investigator didn't uphold this complaint. She said that HSBC hadn't been unreasonable. She said that by December 2016, Mr M's account had already defaulted. She understood that Mr M spoke to HSBC again later in December, and there may have been an agreement that the outstanding amount would be recalled from collections, because Mr M would be making a payment of £2,000 that day. But that payment wasn't made in mid December. So our investigator said that it was reasonable for the debt not to be recalled.

Our investigator said that HSBC had said it would recall the account from the repayment team in February. It didn't do that. But because Mr M's account had already defaulted, our investigator didn't think that there would've been any benefit to Mr M in recalling the debt from that team. So she didn't uphold his complaint.

Mr M replied with a list of dates and times when he had contacted HSBC, and a summary of what was discussed each time. Those included a series of calls Mr M said he made in December 2016, to get the account recalled.

Our investigator asked HSBC about these phone conversations. HSBC said it didn't have recordings of those calls.

Our investigator looked again at Mr M's complaint. She wrote to him setting out a detailed timeline of his card account. She said that Mr M was sent a final demand late in 2016, asking for immediate repayment of the full balance. At the end of November, Mr M made a payment for £2,000. But as that was not the full balance, the account was passed to the recovery team and a default registered on Mr M's credit file. And HSBC's notes of 21 December say that it was in the process of recalling Mr M's file from the recovery team, because Mr M was making a payment of £2,000 that day. But he didn't make that payment.

Our investigator said that Mr M had been told that his account would be moved from one team to another. But it hadn't been. However she still didn't think that HSBC had done anything wrong in passing the account to the recovery team in the first place, or in reporting the default on his account to credit reference agencies. She didn't think it made any difference to Mr M which internal team managed his debt. She didn't think HSBC had done anything wrong.

Mr M said that he couldn't agree with that. He said that recordings from December 2016 and January 2017 would show that he had been promised that the account had been recalled and his credit files had been amended. He said HSBC told him to check this with the credit reference agencies. He said that he thought that when a business promises something like this, then it should do what it had promised.

Mr M wanted an ombudsman to consider his case, so it was passed to me for a final decision.

my provisional decision

I issued a provisional decision on this complaint and explained why I proposed to uphold it in part. This is what I said then:

- Before I started to consider this complaint, I asked both sides for a little more evidence. I asked HSBC for all the call notes it had for Mr M's credit card account from the second half of 2016 onwards. And I asked Mr M for his credit file.
- Mr M's credit file shows that he started to get behind on his payments on this account in June or July 2016. Different credit reference agencies often display information slightly differently, so it's not surprising that the dates don't match exactly. In fact, Mr M seems to have stopped making regular payments onto his credit card account a couple of months before this. Again, it's not unusual for a bank to give someone a short grace period, before it starts to report late payments, so this information isn't inconsistent with what I could see on Mr M's statements.
- But, oddly, Mr M's credit file also seems to show that his account was defaulted in June 2016. HSBC has never claimed that it took action to place a default on Mr M's credit file as early as this. And because the same default date is held with two separate credit reference agencies, I thought it was likely that this default date was a mistake by HSBC.
- I also looked at the notes HSBC has supplied. Although the dates on the call notes don't match exactly with the dates Mr M gave us, it does appear as if in late November 2016, Mr M reached an agreement with HSBC that he would pay £2,000 into the account, and the account would not be defaulted. Mr M's statements show he paid this money.
- HSBC didn't have to offer to stop Mr M's account from defaulting if he paid £2,000. And it may well have made a mistake when it made that offer. But even if this was a mistake by HSBC, Mr M paid HSBC £2,000 in reliance on that mistake. Mr M has told HSBC that he doesn't have a regular income. He seems to have been having problems with money around this time. But he still paid HSBC a large amount of money.
- I explained that when a bank says it will do something, and it then says that this was a mistake, I won't usually make that bank do what it has said it will do, just because it said it would. But where, as here, I can see that someone has relied on that mistake, and has acted on what the bank said, then I think that the bank should do what it said it would. For that reason, I said I would think about whether HSBC should remove the default that it had placed on Mr M's credit file.
- Mr M made a further large payment, of £1,700, on 12 May 2017. I understood that Mr M made no further payments up until the end of 2017. HSBC didn't charge Mr M interest during this period. And I understood that it suspended collections action on this account from the time when his complaint started until at least the end of July 2018.
- I thought that HSBC has made mistakes in this case. It had given Mr M wrong information, and recorded an incorrect default date on his account. So I needed to think about what HSBC should do to make up for that.
- Mr M still owes HSBC a large amount of money. He wants HSBC to just freeze the interest on this account for a year, to give him time to pay this back. But I wouldn't expect HSBC to do that, without moving Mr M's account through a collections process, and defaulting his account. So I wouldn't tell HSBC to do that.
- Mr M also wants HSBC to pay him compensation. I did think that HSBC has given Mr M conflicting information, and caused confusion. So I thought that HSBC should pay Mr M some compensation. I thought it should pay him £100. I was bearing in mind when I

made that award that HSBC hasn't charged any interest on Mr M's debt for over two years. So I thought that was the right amount of compensation in this case.

- Next I had to think about whether HSBC needed to amend Mr M's credit file.
- I thought about whether I should tell HSBC to remove the default on Mr M's account, which shows that his account defaulted in summer 2016. I knew that HSBC told Mr M that it would remove the default, and Mr M relied on what HSBC said. But I needed to think about what effect removing the default would have on Mr M.
- If I asked HSBC to remove this default, and Mr M then paid off his account in full quickly, then he may be able to avoid a default in future.
- But if I asked HSBC to remove the existing default, and Mr M didn't pay off his account in full quickly, then he would be worse off because of this decision. His account would then be likely to be defaulted again, sometime this year. HSBC wouldn't have to accept anything less than full payment once it has issued a letter of default. And Mr M would then have a new default on his credit record, which will remain until 2024, instead of the existing default, which will be cleared from his record in 2022.
- So I said that what I would do, is offer Mr M the chance to make full payment of his remaining debt within the next three months. If he does that, then I'll tell HSBC to remove the default from his credit record. I did think though that Mr M is aware that he needed to pay this debt, and he hasn't done so over a prolonged period of time, so HSBC may continue to record late payment markers for this period on Mr M's credit file.
- If Mr M isn't able to make full payment within three months of the date of my final decision, then I thought that although his existing default date is wrong, that mistake is in his favour, because it means that the default will come off his credit file sooner. So I wouldn't ask HSBC to make any changes to his credit file.
- I repeated that my decision was provisional, and I would give both sides a chance to respond to my suggested resolution before I reached a final view.

I invited the parties to make any final points, if they wanted, before issuing my final decision. HSBC replied to say that it would accept my decision. Mr M replied to ask me to change two aspects of my decision.

my findings

I've reconsidered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. I haven't changed my mind.

Mr M said that HSBC had transferred his account to a debt collection agency, and had written to him about that, after I'd issued a provisional decision. He thought that was extraordinary. But HSBC doesn't have to suspend collections action on this account while Mr M's complaint is being considered. That's a decision for HSBC to take. And I know that HSBC has already suspended action on this account for a considerable period of time.

Mr M asked me to substantially increase the amount of compensation he receives, to reflect the hardship caused to him and his family, because he hadn't been able to obtain credit. I appreciate that Mr M may have had difficulty obtaining further credit, while this issue is

ongoing. But I think that isn't likely to have happened solely as a result of the default registered on his credit record. It could also have been caused by the fact that Mr M still owes HSBC a substantial amount of money, and hasn't reached an agreement to repay it. It's not unreasonable for Mr M's credit file to show that.

I also noted in my provisional decision that HSBC hasn't charged any interest on Mr M's debt for over two years.

Considering all of the above, I still think that £100 would be the right amount of compensation in this case.

Mr M said he would also like me to amend my decision to give him one year to pay off his debt. After this the default should be expunged from his credit file, and the debt marked as satisfied. Mr M said that this was reasonable, considering that the debt collection agency would be seeking an arrangement to collect the money he owes regardless of duration. And he said that the only difference is the expunging of the default on his credit file.

In my provisional decision, I said that HSBC should give Mr M three months to pay off this debt. But I also noted that Mr M would prefer a year to pay back the debt. I said then that I wouldn't expect HSBC to allow Mr M to pay his debt off over such a long time, without charging any interest, and without moving Mr M's account through a collections process and defaulting his account. I still don't think that it's reasonable to ask HSBC to suspend the payment of interest on this account, allow Mr M a full year to pay off this debt, and not to record any default on his credit file. So I won't ask HSBC to do that.

my final decision

My final decision is that HSBC Bank Plc must pay Mr M £100 in compensation.

If Mr M pays his credit card debt in full within three months of the date of this final decision, then HSBC Bank Plc must also use its best endeavours to have the three major credit reference agencies remove the existing default on his credit card account from his credit file, and show this account as settled.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 20 October 2018.

Esther Absalom-Gough
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