

The complaint

Miss H, a sole trader, is unhappy that HSBC UK Bank Plc defaulted her Bounce Back Loan.

What happened

Miss H had a Bounce Back Loan (“BBL”) with HSBC which she was paying by monthly direct debit. Miss H was of the understanding that all scheduled monthly payments had been made to the loan and wasn’t aware of any reason why payments wouldn’t have been made.

In early 2023, Miss H received a letter from a debt recovery agency (“DRA”) which explained that HSBC had defaulted her account for non-payment and had transferred her BBL debt to the DRA. Miss H wasn’t happy about this as she hadn’t been informed and wasn’t aware that any payments on her BBL had been missed. So, she raised a complaint.

HSBC responded to Miss H and confirmed that several BBL payments had been missed and that arrears letters had been sent asking her to address those missed payments. Miss H wasn’t satisfied with HSBC’s response, so she referred her complaint to this service.

One of our investigators looked at this complaint. They didn’t feel HSBC had done anything wrong in how they’d managed the situation and so didn’t uphold the complaint. Miss H remained dissatisfied, so the matter was escalated to an ombudsman for a final decision.

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.

In her response to our investigators view of this complaint, Miss H has reiterated her belief that the only reasons why the BBL payments failed was because HSBC didn’t apply for them. And Miss H has also explained that while there were instances where the balance of the account from which the payments were taken was low, there was always a £250 arranged overdraft on that account that was unused and available, and which would have allowed the BBL payments to have been taken – had they been applied for.

The account that Miss H refers to here – from which the BBL payments were being taken – is held with a division of HSBC. Accordingly, I’ve asked HSBC about the overdraft limit on that account. And HSBC have informed me that the account doesn’t have an agreed overdraft and never has.

Having reviewed the account statements that Miss H provided to this service, I believe I may understand why Miss H thought that her account had a £250 agreed overdraft. This is because the statements include generic information about the interest rates that are applicable to arranged overdrafts – if an account has an arranged overdraft. And notably, the division of HSBC which holds the account in question offers 0% interest on arranged overdraft balances of up to £250.

However, as explained, HSBC have confirmed that Miss H’s particular account never had an

agreed overdraft. And they've sent screenshots of their internal systems which I'm satisfied confirms that this is the case. And, as explained, the information on the statements that refers to 0% interest on agreed overdraft balances of up to £250 is generic information and doesn't refer to Miss H's account specifically or indicate that she had an agreed overdraft on that account with a £250 limit.

Unfortunately, this means that Miss H's belief that her account had a £250 agreed overdraft limit was incorrect. And this means that on instances where HSBC applied for the BBL payment but where the balance of Miss H's account was less than the BBL payment amount, the BBL payments couldn't be taken due to insufficient funds - because Miss H didn't have an agreed overdraft available to her to cover the BBL payments as she believed.

Miss H believes that HSBC didn't apply for the BBL payments. But I'm satisfied that HSBC did apply for the BBL payments but that they weren't successful because of insufficient funds. And this is not only for the reason explained above – that Miss H didn't have an agreed overdraft available to her as she believed – but also because HSBC have provided system screenshots which I'm satisfied confirm that they did apply for the BBL payments in question but that the payments couldn't be paid because of insufficient funds.

I'm also satisfied that when BBL payments were missed because of insufficient funds, HSBC sent letters to the address they held for Miss H informing her as such. Miss H has said that she didn't receive these letters, and I note that the address they were sent to by HSBC differs to the address which Miss H has provided to this service. However, HSBC have confirmed that they sent the letters to the address they held for Miss H at that time, and if Miss H had changed address but not updated HSBC, this wouldn't be something I'd consider holding HSBC accountable for.

Regardless of whether Miss H received the arrears letters that HSBC sent or not, it was the responsibility of Miss H, as the BBL account holder, to have been aware of the ongoing status of the account. This includes monitoring whether the contractually required monthly payments for the BBL were being made. And so, I feel that the onus was on Miss H to have recognised that some BBL payments hadn't been made and to have proactively contacted HSBC about the matter, if arrears notifications weren't being received by her.

Finally, Miss H is unhappy that HSBC transferred her defaulted BBL account debt to a DRA without her consent. However, the transferral of debt to a DRA is a common practice and one which is specifically permitted by the terms of the BBL agreement which Miss H consented to and accepted when she took the BBL. And HSBC didn't require any further form of consent from Miss H beyond that which she'd already given when accepting the BBL agreement in order to fairly transfer her debt to a DRA.

All of which means that I don't feel that HSBC have done anything wrong here. This is because I'm satisfied that HSBC did apply for the BBL payments in question and that the reason the payments weren't taken was because of insufficient funds in Miss H's account. And because of this, I don't feel that HSBC have done anything wrong by following the account arrears process that they have regarding Miss H's BBL.

I realise this might not be the outcome Miss H was wanting. But it follows that I won't be upholding this complaint or instructing HSBC to take any further or alternative action. I hope Miss H will understand, given when I've explained, why I've made the final decision I have.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 27 February 2024.

Paul Cooper
Ombudsman