

The complaint

Miss C complains that HSBC UK Bank Plc closed her credit card account without warning and after it had agreed it wouldn't.

What happened

Miss C held a HSBC current account and credit card. In 2020, She began falling into arrears on both following the loss of one of her two jobs due to the impact of the global coronavirus pandemic. HSBC agreed a number of payment arrangements throughout 2020, 2021 and 2022.

HSBC issued Miss C with a default notice in relation to her credit card in January 2021, but the account was prevented from defaulting due to HSBC agreeing a further payment arrangement with Miss C. Despite these payment arrangements, Miss C's credit card continued to be in arrears.

In November 2022, Miss C called HSBC to ask for help. HSBC agreed a further six month payment arrangement for her credit card. During the call she was told that collections activity would cease but that she may still receive arrears notices during that time. However, around a week after agreeing the payment arrangement, HSBC sent Miss C a final demand letter for the outstanding balance. The letter said the account would be defaulted if Miss C didn't pay the full arrears within the next three weeks.

Miss C says she never received this letter and continued to pay the reduced amount agreed in the repayment plan. It was several months later that she discovered the credit card had been closed and defaulted when she was contacted by a third party debt collector who HSBC had passed the account to.

Miss C complained to HSBC. She said she had been told the account wouldn't default while she was on an agreed payment arrangement. She was also unhappy that HSBC had passed the account to a different business.

HSBC agreed that it had given inaccurate information to Miss C in the phone call where the payment arrangement was set up. It said that it shouldn't have told her that the account wouldn't be defaulted. It paid Miss C £150 compensation for the upset this misinformation had caused. It said that it was entitled to pass the account onto a third party and hadn't acted unfairly in doing so.

Our investigator didn't recommend the complaint be upheld. She considered that the compensation HSBC had paid to Miss C was fair and reasonable in the circumstances. This was because the account had been in arrears for over two years and although it gave incorrect information in the phone call, Miss C wasn't in a position to repay the full balance so a default was fair and reasonable.

Miss C didn't accept that outcome. In summary, she said the default has had a significant impact on her and she wasn't given a fair opportunity to avoid it. She said that if HSBC had told her the account would be defaulted, she would have found a way to repay the

outstanding balance.

The complaint has been passed to me for a 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.

Miss C had been in arrears on her credit card for more than two years when she called HSBC in November 2022 to discuss her account. Notwithstanding the reason for why the account was in arrears, this was a significant period of time. Further, HSBC sent a default notice and a final demand for payment (as it was required to do) before defaulting the account. Given all these factors, my starting point is that it doesn't appear unfair or unreasonable (or inaccurate) to say the account should be defaulted. However, that isn't the end of the matter.

HSBC accepts it gave Miss C incorrect information in the call in November 2022. I've also listened to that call and the advisor says to Miss C that in entering into the payment arrangement it would stop the account from being closed and defaulted so long as she stuck to the payment arrangement terms. HSBC says that Miss C's account conduct and circumstances didn't qualify her for this type of exemption and the advisor on the phone made an error. However, I don't think Miss C could possibly have known this.

I say this because HSBC sent a letter following the agreement of the payment arrangement which also confirmed that no action would be taken on her account if she maintained the payments. Whilst the letter did say that a default notice or final demand might be sent, this was only in the context of if Miss C failed to make a payment under the plan.

While HSBC sent Miss C a final demand letter around two weeks later, I don't think this ought to have alerted Miss C to any problem (even if she had received it, which she contends that she didn't). She had been told on the phone and in writing that no action would be taken on her account and to expect to still receive letters about the arrears, but that no action would be taken.

But I also need to consider whether this error and unclear communication by HSBC caused Miss C any loss. Undoubtedly it was a shock to her to discover that HSBC had defaulted the account when it said it wouldn't and arguably it has deprived her of the opportunity to repay the full balance before it took that action. But, having considered all the evidence and arguments here, I'm not persuaded that Miss C's position is materially different now to what it would have been had HSBC given her the correct information in the phone call in November 2022.

I say this because having listened to the phone call, it was clear that Miss C was not in a position to pay off the full balance as she now says she would have been. During the call she said she was calling HSBC for help because she didn't know what more she could do to try and resolve her financial difficulty. She explained she had exhausted every possible option in order to be able to afford the regular repayments and now had to ask HSBC to help her as there was nothing further she could do to get more money. When the advisor explained that a payment arrangement would impact her credit file (by showing a payment arrangement marker), Miss C said: *"I'm at a stage where I don't really have a choice as to what is going on my credit file"*.

Based on this phone call, it seems clear to me that had HSBC correctly informed Miss C that the account might be defaulted, there was nothing Miss C could reasonably have done at the

time to prevent the default being applied. I find what she told the advisor during the call to be more persuasive evidence of her actual circumstances at the time, than her recollection now of what they might have been. For these reasons, I'm not persuaded that but for the incorrect information HSBC gave in the call that Miss C would be in any materially different position now.

I'm satisfied that it is more likely than not that the account would always have defaulted even if HSBC had given Miss C the correct information in November 2022. With this in mind, I think the £150 compensation HSBC has already paid for the upset its misinformation caused is a fair and reasonable way to put things right.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 4 April 2024.

Tero Hiltunen
Ombudsman