

The complaint

Mr A complains HSBC UK Bank Plc have unfairly defaulted his personal loan account.

What happened

Mr A took out a personal loan with HSBC in April 2020 for £15,000 over a period of five years. The monthly repayment was £271.22. The information I have shows the account was defaulted with an outstanding balance of £6,287. I understand the default was originally registered with a date of 19 May 2023 and has since been backdated to 1 October 2022.

Mr A says he settled the outstanding loan amount on 19 May 2023 with HSBC. He said he went into branch and paid off the loan in cash – and says he received confirmation of this on multiple occasions – 19 and 31 May 2023, 3 and 26 June 2023.

Despite this, on 21 June 2023 Mr A says a default was registered and backdated to 19 May 2023 (before later being backdated to 1 October 2022). Mr A says this action defies logic, as he was making his monthly payments. Mr A said as a gesture of goodwill he'd settle the matter for £8,000, removal of the default from his credit file, and a formal letter of apology. He noted he'd previously complained to HSBC about issues regarding a direct debit which they paid him £350 compensation for.

On 5 July 2023 HSBC wrote to Mr A and said they'd checked their records, and on 27 October 2021 they'd decided to end their banking relationship with him. They said they'd sent him a Final Demand on 12 September 2022 (HSBC wrote 2021 – but they meant 2022) asking him to settle the loan immediately and by 30 September 2022 – but he didn't. They added, following a file review on 19 May 2023 the loan was defaulted and passed to HSBC's Recovery Services department. On 31 May 2023 they said a letter was issued saying the outstanding balance had been passed to their debt collection agent – who I'll refer to as M. But, also on 31 May 2023 they incorrectly issued a letter saying the loan had been fully repaid. They said this was an error, and the £6,287.22 does remain owed.

HSBC added given the delay in defaulting Mr A's account they'd remove the default if the full balance was repaid within 18 days. But, if he doesn't repay the debt, then the default will remain, though it'll show as settled in the future once he's paid it off in full. HSBC said they firmly reject Mr A's request for £8,000 compensation. But, in a separate response, I understand HSBC did pay Mr A £250 compensation for the incorrect information given to him.

Unhappy with HSBC's response, Mr A asked us to look into things and didn't pay off the balance within the 18 days HSBC had offered.

One of our Investigators considered things, but overall found Mr A did owe the loan money HSBC said he did and had paid a fair amount of compensation for the errors.

Across a number of responses Mr A disagreed, and he listed out various pieces of evidence he didn't think our Investigator had really considered. Because Mr A didn't accept our Investigator's outcome, the complaint's 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.

Can HSBC ask Mr A to repay the loan immediately?

To answer this, as a starting point, I need to look at whether HSBC have fairly said they wanted to end Mr A's relationship with them.

HSBC have disclosed the reason for doing so. This isn't something I can share with Mr A as it's commercially sensitive, but I'm satisfied they've done so for fair and non-discriminatory reasons.

The next step is to consider what the terms and conditions of the loan say could happen in these circumstances. They say the following:

What are our rights if you miss a repayment or we have other concerns?

11. There may be severe consequences if:

(a) you do not make repayments on time; or

(b) we find that any information you provided as part of your loan application was materially incorrect or misleading; or

(c) you declared bankrupt or have similar proceedings taken against you; or

(d) we reasonably suspect any fraud or other criminal activity in connection with this agreement and/or any other facility or account that you have with us.

In any of these cases, we can:

(i) demand immediate repayment of the loan;

(ii) disclose information about you and the conduct of your loan to licensed credit reference agencies (which may make it more difficult for you to borrow in future);

And the terms go on to list other things HSBC could do – which don't appear relevant to this case so I've not listed them all out.

At this point then, HSBC are allowed to terminate the account with Mr A, they're allowed to ask him to immediately repay the debt, and they're allowed to report information to the credit reference agencies.

Mr A's evidence about the loan balance having been repaid

As a summary, Mr A has said the following is evidence of having settled the loan:

- 31 May 2023 letter from HSBC
- 3 June 2023 letter from HSBC
- CCTV footage from when he went into the branch to pay off the loan in cash
- Loan account statement which shows a £0 balance – Mr A says he got this in branch on the day he settled his loan
- Statements showing he withdrew cash

I'll deal with each point in turn.

The 31 May 2023 letter says *"We confirm that your Personal Loan Account... was fully repaid and closed on 19 May 2023"*. It's this letter HSBC said they issued in error.

The 3 June 2023 letter provides a transaction history. This does show the loan balance is £0, but it doesn't show who settled the loan or why.

In respect of the CCTV footage like our Investigator I'm not persuaded this would prove Mr A's point. For security purposes, CCTV doesn't usually have sound, so I think it's unlikely this would prove Mr A made a payment to the loan account. In any event, HSBC have confirmed the CCTV is unavailable, so I can't review it anyway. But, as I mentioned, I think in terms of evidence to support Mr A's case I can't see that it would.

The loan account statement does show a £0 balance as Mr A says. I don't agree he got this in branch on the day as he's said, as it's dated 22 May 2023. So, I think Mr A got this later. But, regardless, this doesn't show *who* repaid the loan which is the key bit.

Looking at the statements Mr A has provided, I'm afraid these don't convince me either. The first statement is dated 20 September 2022 for £2,500, and the second statement shows on 18 January 2023 Mr A withdrew £5,000 in cash. This is eight and four months respectively before 19 May 2023 when Mr A says he went in and paid off the loan. I fully accept these statements show Mr A withdrew cash – but they don't demonstrate he paid off the loan in HSBC's branch on 19 May 2023.

Overall then, having considered all of Mr A's evidence, I'm not persuaded it demonstrates he did pay off the loan.

So, having considered Mr A's evidence, I've now looked carefully at HSBC's evidence. Their internal screenshots – which are commercially sensitive so can't be shared with Mr A – show they credited the £6,287.22 to the account in order to pass it over to their debt collection agent.

In his responses, Mr A has asked us not to ignore he had a previous complaint with HSBC where they paid him £350. I accept that he had a previous complaint where HSBC have paid him this compensation – but I'm judging this complaint issue on all the evidence I've been provided with. And, for the reasons I've mentioned above, I've not found enough evidence to persuade me Mr A did repay his loan in branch on 19 May 2023 using cash.

I've noted Mr A has referred to not receiving the letters HSBC sent him and said that surely HSBC backdating the date of the default is them admitting they've made an error.

In respect of the letters, they're correctly dated and addressed. I'd only be able to say HSBC have done something wrong if they've made an error. Why Mr A didn't get the letters I don't know, but I've seen nothing to suggest they weren't sent – so I can't fairly say HSBC have made an error.

Looking at the default Mr A says this shows HSBC made an error. I don't disagree with this – they have. In respect of this point HSBC decided to terminate their relationship with Mr A in October 2021. For whatever reason it then took them 11 months before they sent a Final Demand – which required full repayment of the loan by 30 September 2022. As Mr A was required to repay the loan by then and didn't, this is when HSBC really should have defaulted the account. So, although HSBC originally recorded a default date of 19 May 2023, I'm satisfied it's right for them to have backdated it to the day after the deadline in the Final Demand – which was 1 October 2022. This error though doesn't persuade me, for the reasons I've mentioned above, HSBC made a further error with saying he's not repaid the loan when he has. I still remain of the opinion Mr A hasn't repaid the loan.

I do think it's disappointing HSBC have made some errors in their communications with Mr A and in how long it's taken them to record the default. But the default not having been applied earlier is beneficial to Mr A. So, overall, for these issues I do think £250 compensation is fair. And, as that's already been paid to Mr A, I don't require HSBC to do anything further.

My final decision

For the reasons I've explained above, I'm satisfied HSBC have treated Mr A fairly, and 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 21 March 2024.

Jon Pearce
Ombudsman