

## **The complaint**

Mrs L complains that when she set up a “no affordability plan” with HSBC UK Bank Plc, who I’ll call HSBC, she was told there wouldn’t be an impact on her credit file and she wasn’t advised arrears would continue to build up and demand letters would be sent. She is upset that when a default letter was sent to her she was told she could ignore it.

## **What happened**

Mrs L entered into a no affordability plan with HSBC in February 2023. During the set up calls she wasn’t clearly told what the impact would be on her credit file if she was to proceed with the plan. HSBC reported missed payments to her credit file while the plan was active and contractual payments weren’t received. In April 2023 they sent Mrs L a default notice and when she asked about the notice she was told she could ignore it. The account was subsequently defaulted, and HSBC demanded immediate repayment of all sums due.

When Mrs L initially complained to HSBC they agreed to remove the adverse reports they had made to her credit file, and to recover the debt from the debt collectors they had sold it to. They paid Mrs L £275 in respect of the distress and inconvenience caused. But HSBC subsequently decided their agent had made a mistake. They rescinded the offer to remove the adverse reports they had made and decided not to recall the debt from the debt collectors. They paid Mrs L an additional £100 compensation for those errors.

Mrs L wasn’t happy, and she escalated her complaint to this Service. Our investigator agreed that mistakes had been made but thought the compensation offered by HSBC was sufficient.

Mrs L didn’t agree so the complaint has been passed to me, 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.

I know it will disappoint Mrs L, but I agree with the investigator’s opinion. I’ll explain why.

Where the information I’ve got is incomplete, unclear, or contradictory, as some of it is here I have to base my decision on the balance of probabilities.

I’ve read and considered the whole file, but I’ll concentrate my comments on what I think is relevant. If I don’t comment on any specific point it’s not because I’ve failed to take it on board and think about it but because I don’t think I need to comment on it in order to reach what I think is the right outcome.

When an account is in an arrangement of this type the business will continue to report any arrears and may continue to take recovery action. They may, as was the case here, default

an account. HSBC explained that to Mrs L when they wrote to her a few days after the arrangement was put in place.

As there's no dispute that Mrs L missed payments, HSBC were right to report them to the credit reference agencies. They have an obligation to report account performance accurately.

The Information Commissioner's Office (ICO) says when a consumer is at least three months behind with their payments then a default may be registered. They would expect a default to be registered by the time a consumer is six months in arrears. By the time the default notice was issued Mrs L was three months in arrears. The income and expenditure review HSBC had completed with her before the no affordability plan was arranged suggested her outgoings far exceeded her income, and that the situation was unlikely to change. I think in those circumstances HSBC were right to default the agreement and report the default to Mrs L's credit file so that the default wouldn't impact Mrs L for longer than was necessary.

The chat transcript from Mrs L's April 2023 conversation with HSBC shows that they did tell her she could ignore the default notice. I think they should have explained that a demand notice would follow if Mrs L didn't pay the arrears and that Mrs L would be asked to repay the account balance in full if that was the case. They should also have explained that the default may have an impact on Mrs L's ability to obtain credit. But I don't think it is likely things would have changed for Mrs L if she was given the correct advice. The income and expenditure assessment suggested she didn't have enough money to afford to pay the arrears by the May 2023 deadline, and while Mrs L says she would have asked for a loan from family or friends, I have no further corroboration that those funds could have been obtained, and I think if that were the case Mrs L would have been likely to have secured that money already.

HSBC are entitled to sell or transfer the debt to a third party, and I see nothing wrong in them doing so.

But HSBC made several mistakes here and those mistakes will have caused Mrs L some distress and inconvenience. They:

- Failed during calls they had with Mrs L to adequately explain that they would continue to report adverse information to her credit file during the period her plan was in place.
- Told Mrs L she could ignore the default notice without giving an adequate explanation.
- Were wrong to tell Mrs L that they shouldn't have reported adverse information or transferred the debt.

I can understand that those mistakes would have been distressing for Mrs L and it's only right that in those circumstances, the business compensates her. In total HSBC have already offered compensation of £375 and, in the circumstances, I think that is sufficient. I'm not asking them to take any further action.

### **My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L to accept or reject my decision before 20 June 2024.

Phillip McMahon  
**Ombudsman**