

The complaint

Mrs W complains that HSBC UK Bank Plc acted unfairly in closing and defaulting a credit card account she held with it.

What happened

Mrs W held a credit card account with HSBC but due to changes to her circumstances she struggled to make payments to her account and was unable to meet the minimum contractual monthly amounts that were due. Mrs W contacted HSBC in July 2023 and it was agreed that she would make token payments towards the balance for the next three months after which the situation would be reviewed.

HSBC sent Mrs W a letter confirming that in this period no interest or charges would be added to the account but that the arrears balance would increase. The letter also said that Mrs W may still receive letters and notices from it during this period as it was legally required to send these, but that these were information only and didn't affect the arrangement.

Mrs W continued to make payments to her account, but these were less than the contractual minimum. In January 2024 a further token payment arrangement was set up between Mrs W and HSBC for the next six months. HSBC again sent Mrs W a letter setting out the terms of the plan and again confirming that the arrears balance would continue to increase. However this letter also warned that a default notice may be issued.

Around one week after the start of the second token payment plan HSBC SENT Mrs W a default notice for the credit card account. Mrs W was required to clear the full arrears by February 2024, or the account would be defaulted. HSBC also sent Mrs W a Final Demand Notice for the arrears to be cleared by March 2024.

Mrs W did not clear the outstanding arrears and her credit card account was closed and a default registered. Mrs W complained to HSBC about its actions as she said it had been unfair. Mrs W said that it had been agreed she could make token payments for a period of six months, and she thought this would protect her from the account being defaulted. She said HSBC had told her to ignore letters it sent, and it hadn't told her the account would still be defaulted.

HSBC didn't uphold Mrs W's complaint. It said it had listened to the calls between itself and Mrs W and it couldn't find any during which she had been given incorrect information. It said that it acknowledged Mrs W had spent a long time on the phone raising her complaint and made a compensation payment of £50 for the inconvenience that would have caused her.

Mrs W was unhappy at HSBC's response and complained to this service. She said she had wanted to avoid the account defaulting and so had contacted HSBC and entered into the payment plan. She said it hadn't offered her a breathing space nor told her the account would be defaulted. Mrs W said it would be fair for HSBC to now remove the default.

Our investigator didn't recommend that Mrs W's complaint should be upheld. He said that the letter sent to Mrs W in January 2024 confirming the token payment plan arrangement

had set out, that as her payments weren't enough to clear the overdue amount, then a default notice may still be issued. He said this notice had explained what she needed to do and also that if she was unable to clear the amount requested, then a default would be recorded on the account. Our investigator also said Mrs W had been told this during her phone call with HSBC when the token plan had been set up.

Our investigator said that due to the amount of arrears, HSBC had followed the Information Commissioner's Office guidance that an account which has arrears between three and six months should be defaulted.

Mrs W disagreed with our investigator's view. She said that HSBC had acted unfairly as although she accepted she hadn't been making the full monthly payments she had been keeping to the payment rate as agreed. She said she thought in these circumstances no action would be taken and HSBC hadn't been clear that this plan wouldn't prevent a default being applied to the account.

As the parties were unable to reach an agreement the complaint has been passed to me.

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 appreciate that Mrs W had wanted to work with HSBC when paying off the arrears that were accruing on her credit card account and that by doing so, she had wanted to limit any adverse impact on her credit file which is understandable. And when a financial credit provider deals with customers who are experiencing financial difficulty then they are expected to act with forbearance and consideration.

Here, I've seen that HSBC agreed for Mrs W to make token payments towards the balance of the account and that it wasn't adding interest to the account. I think this shows HSBC was acting with forbearance. Mrs W has raised that HSBC didn't offer her a breathing space when she made contact about her financial circumstances. This isn't something she has raised with HSBC, but as she was able to make some payment towards the outstanding balance, I don't think the lack of this offer would necessarily render the payment plans unfair. Breathing spaces also don't alter credit companies from reporting adverse information or defaulting an account.

Mrs W says that HSBC hadn't told her that the credit card account would be liable to be defaulted and that it had also told her to ignore letters sent to her. In respect of applying a default, the Information Commissioner's Office (ICO) has issued guidance which says that lenders can default an account when a consumer is at least 3 months in arrears. The guidance also says it expects lenders to default an account by the time a consumer is six months in arrears. Looking at the number of months Mrs W hadn't made the full contractual monthly payment, I can't say that HSBC hasn't applied this guidance to her account when making the decision to default it..

When setting up each of the payment plans with Mrs W, HSBC spoke with her on the phone and then sent a follow-up letter explaining the plan's terms. Both letters (sent in July 2023 and January 2024) state that arrears will still accrue as payments are less than the contractually minimum. And while the letter regarding the first plan sent in July 2023 states that letters sent by it, such as arrears notices, are for information only and don't affect the arrangement, the letter regarding the plan entered into in January 2024 doesn't include this. The January 2024 letter explains that a default notice may be received if the arrears reach a certain level.

I've also listened to the available calls, but although I accept the final call in January 2024 between Mrs W and a HSBC agent was rushed, I haven't found any evidence that Mrs W was told to ignore letters or that the credit card account wouldn't be defaulted. So, I can't reasonably say that HSBC made an error or treated Mrs W unfairly when it issued the Notice of Default and later terminated her credit card account.

I've considered whether Mrs W might have done something differently had HSBC's agent taken more time to explain the January token payment plan. But there were significant arrears on the account at that time and I've seen no evidence that suggests Mrs W was in a position to clear those and/or afford the contractual monthly payments. I think HSBC acted reasonably by bringing the agreement to an end.

I'm unable to reasonably say that HSBC made an error or gave Mrs W incorrect advice. I've seen it awarded Mrs W compensation in respect of the agent rushing the final call in January 2024. As this was awarded in respect of a linked matter, I don't think further compensation for this account is warranted. I've also seen that HSBC paid Mrs W £50 compensation for the length of time she had to spend on the phone raising this complaint. That is a customer service issue which isn't something we can usually consider as it isn't a regulated activity, but I would agree that in the circumstances this amount was reasonable.

So, although Mrs W was making regular payments with the token payment plan these were less than the contractual monthly amount and the arrears were steadily accruing. HSBC has therefore acted reasonably when defaulting the account due to the length of time the arrears had been building up. I also think HSBC hadn't give Mrs W any incorrect information about payment plans and their impact on possible default action.

For the reasons given above, I'm not upholding Mrs W's complaint.

My final decision

As set out above, I'm not upholding Mrs W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 30 September 2024.

Jocelyn Griffith
Ombudsman