

The complaint

Mr T complains about his credit card from HSBC UK Bank Plc (HSBC)

What happened

Mr T had a retailer card (which I will call firm A) which scheme was managed and run by HSBC.

In June 2022, firm A's credit card was transferred to a new owner. Mr T was sent five pieces of communications about the change during the first half of 2022. The letters said the old card would be run down and stop working, and repayments should continue until the balance was paid off. If customers wanted a new card with firm A, they should complete a new application to the new owner of the credit card.

The old card from firm A was closed down on 31 October 2022.

Mr T's old card account from firm A continued with the statements and letters showing an HSBC logo.

Mr T was sent statements (with the HSBC logo) from that time. And later on (looking at the issues surrounding Mr T's complaint), he was sent statements each month from September 2023 to the present time.

In September 2023, Mr T's balance was £334.35. Payments to the card of £90 each month were collected by direct debit – from Mr T's main bank account.

In October 2023, an indemnity claim was received from Mr T's bank reclaiming 13 payments of £90. These were debited to Mr T's card account and the balance increased to £1,434.50 in October 2023.

No more payments were made by Mr T.

In November 2023, HSBC sent Mr T an arrears letter.

In December 2023, HSBC sent Mr T another arrears letter.

On 9 February 2024, Mr T called HSBC and the bank sent him a statement.

In February 2024, HSBC sent Mr T a Default Notice. This said he needed to pay the arrears of £146.17 by 8 March 2024, or formal demand would be made and the account defaulted.

On 11 March 2024, Final Demand was issued to Mr T – this said he needed to pay the balance off by 1 April 2024.

On 4 April 2024, the account was closed, and defaulted .

On 28 May 2024, Mr T's account was passed to a debt collection agency (DCA) to manage.

There were further calls between Mr T and HSBC on 19 April 2024, 3 June 2024, and 6 June 2024.

Mr T complained. He said:

- He didn't recognise the letters from HSBC and thought they may have been fraudulent.
- He visited a branch of HSBC and was told this may be the case and was told to throw them away.
- He hadn't receive a number of HSBC's letters – either about the change of the owner of the credit card, the default notice or formal demand.
- He said he didn't understand or recognise why the balance of the card account increased in October 2023 – he hadn't asked his bank to make an indemnity claim to HSBC.
- The default was therefore unfair and should be removed.

HSBC's complaints team called Mr T on 5 June 2024 and then sent a final response. HSBC said:

- On the call on 19 April 2024, Mr T acknowledged he had received the default notice and final demand.
- As the balance hadn't been paid in line with the notice, the account was closed and passed to a DCA. The default would remain on Mr T's credit file for six years. It would be marked 'satisfied' once the debt was paid off.
- The balance increased in October 2023 because of the indemnity claim from Mr T's bank.
- the bank apologised for the possible error in communication at the branch and offered Mr T compensation of £150.

Mr T didn't accept this and brought his complaint to us. Our investigator didn't uphold it and said HSBC's offer of compensation was fair. She said:

- Mr T continued to receive statements showing his balance and payment terms.
- The indemnity claim increased the balance of the account.
- The default was fairly applied to Mr T's credit file.
- All letters were addressed to Mr T's address. Two of the letters were addressed to him using his middle name as first name. And he may have been given the wrong information in a branch. For that, HSBC had offered compensation of £150 – which was fair.

Mr T didn't agree. He said he cancelled the direct debit and made a reclaim of the amounts paid as he didn't recognise the payment reference– so he thought there was a fraud. And he thought the letters from HSBC were also fraudulent and had been told so by a branch.

Mr T asked that an ombudsman look at his complaint, and so it has come 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.

There are several aspects to Mr T's complaint which I considered:

Change of ownership of firm A's credit card:

I reviewed the communications sent to Mr T during 2022. I'm satisfied these were clear and advised him that the card would stop working from October 2022, and that any balance at that time must continue to be repaid. And from the statements I've seen, Mr T continued with the payments of £90 each month from then on, until October 2023 – when they stopped.

Clarity of communications from HSBC, including Mr T's name:

Mr T was sent monthly statements which clearly showed his credit card balance, and payments due. They were sent to his home address.

I looked at the two letters sent to him in April 2024 and May 2024 – which addressed him with his middle name and not his first name. But – everything else about them was clearly genuine, and his name was correct in the address section. And in any case, these letters were sent after the payments stopped and the default was registered – so that couldn't have been a reason for Mr T to have stopped payments (in October 2023).

I listen to the call on 9 February 2024 – when Mr T said he was concerned and confused about the change of ownership of the card. On the call, HSBC's call handler clearly told him about the change and that he would've received letters about it in 2022. And on the call, Mr T said he would set up a standing order to make regular repayments – the call handler gave him the details needed to do that. But Mr T didn't then make any further payments – so he couldn't have set up the standing order that he said he would,

Possible fraudulent communications from HSBC?:

Mr T says he went to a branch with the letters and was told they may be fraudulent. HSBC haven't been able to verify whether that was the case or not. But having looked at the many letters and statements he received; and the fact that he was told the letters were genuine on the call on 9 February 2024, I'm satisfied that Mr T could reasonably have concluded the letters were genuine.

HSBC apologised for any poor or erroneous communications he got at the branch and offered compensation of £150 – which I think is fair and reasonable.

Indemnity claim - £1,170 – October 2023:

Mr T has said to us (and to HSBC) that he didn't made the claim. But HSBC have shown they responded to the claim, and so I'm persuaded Mr T must have made it through his bank. If this wasn't the case – and if he says his bank made a false indemnity claim – then he should approach his bank about that.

Default:

Mr T acknowledged on the calls in April 2024 that he had received the default notice and letter of demand. So, there's no question he didn't get those. And I can see he didn't make any payments from October 2023 to May 2024 – other than a fee refund of £22.40 on 9

February 2024.

And I can see he was sent regular monthly statements from September 2023 to July 2024. So, I'm satisfied that Mr T was shown sufficient information to realise what his debt was and the payments he needed to make.

The guidance for dealing with defaults is laid down by the Information Commissioner's Office (ICO). This says when a consumer is at least three months behind with their payments then a default may be registered. And it would expect a default to be registered by the time the consumer is six months behind with their payments. It is the business' responsibility to put an entry on the credit file. This cannot be taken off unless it is an error.

By the time the default notice was sent – in February 2024 he hadn't made any payments since September 2023. This meant he was four months in arrears.

Therefore, I'm satisfied the default was properly applied.

Mr T has said this will remain on his credit file 'for life'. To clarify, this is not the case – it remains for six years from when it was added.

In summary, I consider HSBC acted reasonably. The compensation the firm have offered is a reasonable way to settle Mr T's complaint, but other than paying that – I am not asking HSBC to do anymore here.

My final decision

HSBC UK Bank Plc has already made an offer to pay £150 to settle the complaint and I think this offer is fair in all the circumstances.

So my decision is that HSBC UK Bank Plc should pay £150.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 14 January 2025.

Martin Lord
Ombudsman