

The complaint

Mr S is unhappy with the lack of help and support he received from HSBC UK Bank Plc when he got in contact to explain that he was experiencing financial difficulties as a result of the pandemic.

What happened

Mr S contacted HSBC in late March 2020 – after the lockdown had been introduced, to explain that his income was already being impacted by the lockdown. He asked HSBC if he could put his borrowing onto a payment holiday.

HSBC explained it was currently reviewing its policy about the payment holidays with the regulator - the Financial Conduct Authority (FCA), as a result of the pandemic. So, it said it couldn't offer a payment holiday until the new process had been agreed. But it offered Mr S 60 days 'breathing space'. This meant that Mr S wasn't required to make any payments within the 60 days but he had to call HSBC towards the end of the 60 days so the situation could be reviewed. Mr S accepted the offer.

Mr S subsequently received correspondence confirming that HSBC was now offering customers – whose income was impacted by the pandemic, a three-month payment holiday which wouldn't impact their credit file. He says he called in receipt of this to ask how this affected his breathing space arrangement. He says he was told that because he'd previously been in contact with HSBC about his circumstances since the pandemic had started, his arrangement would be moved to a payment holiday.

But he later found out this hadn't happened. He was told his account was in collections and adverse information had been recorded on his credit file. He was told to apply for a payment holiday on-line, but his application was declined as his account was two payments in arrears. So, Mr S complained to HSBC.

HSBC said that when Mr S first contacted it, the FCA Covid relief guidance hadn't been confirmed, so it was unable to offer a payment holiday at that time. Hence, it offered Mr S the breathing space for 60 days. But it says Mr S was made aware that while payments weren't required during this period, the missed payments would be recorded on his credit file.

HSBC also said it had no record of a call Mr S mentioned being made where he was told his breathing space arrangement would be transferred to a payment holiday. So, it didn't agree it had given Mr S incorrect information. But it agrees that Mr S did call in mid-May 2020 when he was told to apply for a payment holiday on-line. And the application was declined as he was in arrears.

Ultimately, HSBC agreed a payment holiday (as the Covid relief guidance had been amended - extending payment holidays to up to six months), but HSBC didn't include the April and May payments.

Mr S remains unhappy that his credit file has been impacted by the missed payments in April and May 2020. He's also said that to avoid any further problems he asked HSBC to reactivate his direct debit for the June payment. And that he was told to also set up a standing order in case the direct debit wasn't reactivated in time. As a result, both payments were taken. While one payment was refunded, Mr S said this didn't help his financial situation. So, he referred his complaint to this service.

One of investigator's considered Mr S's complaint but she didn't uphold it. She agreed that the FCA Covid guidance hadn't been announced when Mr S first contacted HSBC. So, she didn't think HSBC had done anything wrong when it offered Mr S 60-days breathing space. And she was satisfied that Mr S was told the impact this would have on his credit file. But she wasn't persuaded that Mr S had been told that his breathing space would be moved to a payment holiday, and she didn't think HSBC had done anything wrong when it declined the application as by this time Mr S had already missed two payments.

Mr S didn't accept this. He pointed out that HSBC did subsequently agree to a payment holiday in line with the FCA Covid guidance, so he maintains HSBC original payment holiday decision was wrong. He asked for an ombudsman to look at his complaint.

What I provisionally decided – and why

By way of a provisional decision dated 29 July 2021, I set out the reasons why I intended to uphold Mr S' complaint. The following is an extract from my provision findings set out in the provisional decision:

On 9 April 2020 the regulator – The Financial Conduct Authority (FCA), finalised guidance for temporary relief for customers impacted by the pandemic. This included firms being expected to offer a temporary payment freeze on loans and credit cards for up to three months. This was later extended for a further three months (6 months total) after which firms were expected to consider individual arrangements with customers based on their individual circumstances in line with normal guidance involving financial difficulties. While the guidance wasn't formalised until 9 April 2020, I think the FCA would have been in contact with firms like HSBC and it would have been aware before 9 April of the general expectations of the guidance.

But I accept that HSBC wouldn't have been able to offer Mr S something that didn't exist when he contacted it in March 2020. So, I don't think HSBC did anything wrong by offering Mr S 60-day breathing space at this point. I've listened to the call recording of the conversation between Mr S and HSBC in March and I'm satisfied Mr S was told of the impact missed payments would have on his credit file.

There is a dispute about whether Mr S called HSBC in April 2020. HSBC has provided its call recording log and the customer notes it records when there is contact with a consumer. And I'm satisfied there is no record that a call was made. But this doesn't mean Mr S didn't call – it simply means that the call wasn't recorded, and a customer note wasn't added to the system. But without such a record it's difficult for me to say whether Mr S was given wrong information about his breathing space arrangement being transferred to a payment holiday.

But I don't think I need to make a specific finding on this as it's not in dispute that Mr S did contact HSBC in early May 2020. I acknowledge that by this time Mr S had already missed two payments. But I've not seen anything to suggest Mr S had missed any payments before

March 2020. And given the missed payment occurred after the pandemic had started and after the government had placed the UK in lockdown, I think it's most likely that Mr S' financial circumstances were impacted by the pandemic.

The FCA guidance says: "Where a customer is **already** experiencing or reasonably expects to experience temporary payment difficulties as a result of circumstances relating to coronavirus, and wishes to receive a payment deferral, a firm should grant the customer a payment deferral for 3 months unless the firm determines (acting reasonably) that it is obviously not in the customer's interests to do so".

In light of this, and as Mr S contacted HSBC within a month of the FCA guidance coming into force, I think it would have been reasonable for HSBC to have considered Mr S' missed payments within the FCA scheme. Had HSBC done so, HSBC wouldn't have recorded any adverse data recorded on his credit file as this was part of the guidance. And HSBC wouldn't have placed his account in collections.

So, I think that HSBC should remove any adverse data recorded on Mr S' credit file from when the first payment was missed following his call on 27 March 2020 to when the subsequent payment holiday that was agreed ended. Any collection activity relating to the missed payment so also be stopped.

In summary, HSBC should put Mr S' account in the position it would have been had a Covid payment holiday been in place since 27 March 2020.

I've gone on to think about the distress and inconvenience of this matter had on Mr S. In doing so, I've taken into account that the initial 60-day breathing space was a reasonable offer in March 2020 and that I've been unable to determine that Mr S was given incorrect information in April 2020. But as set out above, I think by May 2020, HSBC should have offered Mr S a payment holiday which included the previous two missed payments. As this didn't happen and Mr S had to continue to pursue the matter. And it seems there was some issues around two payments being taken in early June 2020, I think HSBC should pay Mr S £150 compensation for the distress and inconvenience he experienced.

Both Mr S and HSBC responded to accept my provisional 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.

As both parties have accepted my provisional findings and haven't provided any further information for me to consider, I see no reason to depart from the conclusion reached in my provisional decision.

My final decision

For the reasons given above and in my provisional decision dated 29 July 2021 (set out above), I uphold this complaint and instruct HSBC Bank UK Plc to:

- remove any adverse data recorded on Mr S' credit file from 27 March 2020 until the payment holiday subsequently agreed ended;
- stop any collection activity in relation to the two missed payments in April and May 2020;

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- ensure Mr S' account in the position it would have been in if these payments had

- been included in a payment holiday;
- pay Mr S £150 compensation for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 13 September 2021.

Sandra Greene
Ombudsman