

The complaint

Miss I complains about the way HSBC UK Bank Plc handled her request for support when she had difficulties making her loan repayments.

What happened

In March 2020, Miss I contacted HSBC and explained that she needed to provide further financial support at home because of the pandemic. Miss I explained she was still earning but would have difficulty making her repayments given her financial commitments had changed. At the time, HSBC put in place what it calls 'breathing space'. The bank explained that no repayments would be expected for 60 days and that Miss I wouldn't accrue any interest or charges during this period. HSBC suspended Miss I's direct debit and asked that she get in touch after 60 days to revisit her circumstances.

Miss I says HSBC didn't inform her that she'd need to reinstate her direct debit after the breathing space period. As a result, Miss I's account fell into arrears and she says she received multiple messages and correspondence from HSBC asking her to bring the account up to date. Miss I says this caused her stress and anxiety and she was concerned about the impact to her credit file. Miss I also says she was under the impression that she was on a payment holiday.

After Miss I complained to the bank, HSBC responded apologising that she wasn't informed she needed to reinstate her direct debit – although by this point the direct debit had already been reinstated. HSBC later removed any adverse data that was recorded on Miss I's credit file during this period.

Remaining unhappy, Miss I asked this service to review the matter saying she felt compensation was a fair way to put things right for her. One of our adjudicators decided the bank had acted unfairly. The adjudicator concluded that HSBC should've put in place a payment holiday at the time, in line with the Financial Conduct Authority's (FCA) guidance. Given the bank had already removed adverse data recorded on Miss I's credit report, the adjudicator decided that HSBC should pay Miss I £75 compensation for the stress it caused her.

Although HSBC agreed, Miss I felt the compensation figure should've been higher. So the complaint has been passed to me for a final review.

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 think a fair outcome has already been delivered on this complaint and I'll explain why.

HSBC says it couldn't offer Miss I a payment holiday at the time because, as a bank, it was still carrying out preparations to implement the FCA's guidance – which came into force in April 2020. The guidance required firms to offer a payment freeze on loans and credit cards

for up to three months for customers negatively impacted by Covid, and ensure consumers using the payment freeze measures will not have their credit file affected. However, Miss I got in touch with the bank a few weeks before the guidelines came into force, so I accept that HSBC wouldn't have been able to offer Miss I something that wasn't available at the time she called.

But I don't think I need to make a finding on whether or not HSBC acted reasonably when it didn't put a payment holiday in place around the time. HSBC acknowledged during a call with Miss I that a payment holiday should've been put in place instead of the breathing space. HSBC also accepts that it should've informed Miss I that she needed to reinstate her direct debit so that her repayments could start again. So the bank agreed a plan with Miss I, asking her to keep up with her next three repayments. Following this, HSBC removed the adverse data that was recorded on Miss I's credit report when she went into arrears.

Given Miss I's credit report has been amended to remove any adverse data recorded around the time, I think she's been put back into the position she would've been in had I asked HSBC to treat the account as if it had been put on a payment holiday.

What remains is the distress caused to Miss I during this period. Miss I says she experienced stress and anxiety because she was often contacted about the arrears. And it seems to me that resolving the issue took at least a few conversations with the bank. Miss I also says she was concerned about the impact to her credit file. So I think HSBC should pay Miss I compensation for the stress it caused her.

Miss I doesn't agree with our adjudicator's recommendation that HSBC pay £75 compensation. She says she's been a customer of the bank for many years and wasn't given the support she needed when she asked for help. Our compensation awards for distress and inconvenience are designed to put right the impact caused by a business' wrongdoing. In this instance, Miss I explains that she was left stressed by the situation. I acknowledge Miss I's recent comments, but I'm not persuaded that HSBC should pay additional compensation and I'm satisfied the amount already recommended by the adjudicator fairly makes up for the stress the bank caused Miss I.

Putting things right

HSBC acknowledges it should've offered to put Miss I's account on a payment holiday. Miss I's credit report has already been rectified so HSBC needn't do anything further in relation to this.

I agree with the adjudicator's opinion that £75 compensation is a fair way for HSBC to make up for the stress it caused Miss I.

My final decision

For the reasons explained, I'm upholding this complaint. Should Miss I accept my decision, HSBC UK Bank Plc should settle this complaint in line with what I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss I to accept or reject my decision before 3 December 2021.

Abdul Ali
Ombudsman