

The complaint

Mrs L complained that HSBC UK Bank Plc incorrectly recorded missed payments on her credit file resulting in the decline of a mortgage application.

What happened

Mrs L has a loan with HSBC. In or around March 2020, she told them her income had been negatively impacted as a result of the global pandemic. She asked HSBC what support they could offer her as she was struggling to meet her loan repayments.

In the absence of a formal solution, HSBC agreed to give Mrs L 60 days breathing space where she wasn't required to make payments. Shortly after this, Mrs L applied to HSBC for a payment holiday. But HSBC declined her application on the basis she already had loan payment arrears as a result of the breathing space agreed. So, Mrs L complained to HSBC.

HSBC responded to Mrs L's complaint in June 2020. They agreed to further consider her application for a payment holiday, apologised for the trouble and upset caused and paid compensation of £50. HSBC later agreed to provide the requested payment holiday and said this would be backdated to cover the payments due in April, May, June and July 2020.

HSBC recorded missed payments on Mrs L's credit file in respect of the four months covered under the payment holiday. In November 2020, they arranged for these to be removed from her credit file with the credit reference agencies. But they only removed three of the missed payments.

In or around December 2020, Mrs L contacted HSBC again. She wasn't happy that she was receiving calls about arrears on her loan given they'd agreed a payment holiday. She was also worried this had impacted her credit file with the credit reference agencies.

HSBC responded to Mrs L's complaint in January 2021. They said they'd made a mistake as the repayment due in July 2020 had been reported as missed and they'd failed to include this in the amendment made on her credit file. They confirmed this had now been resolved and also applied a credit of £169.21 to her loan by way of compensation.

Mrs L wasn't happy with HSBC's response to her complaint. She thought they'd taken too long to correct her credit history which had been adversely affected as a result. She said this led to her mortgage application being declined. So, she had to approach a mortgage broker, resulting in further costs. Mrs L decided to refer her complaint to this service.

One of our adjudicator's considered Mrs L's complaint. During our adjudicator's investigation, HSBC decided that while they'd compensated Mrs L for the original payment holiday decline and the reported missed payments, they hadn't reflected the overall service and delays. So, they offered a further £100 to reflect this. Our adjudicator thought their offer, coupled with the previous compensation paid was fair.

Mrs L disagreed with our adjudicator's findings. She thought HSBC's offer should reflect that her mortgage application was declined and the resulting broker fees she'd incurred. As an agreement couldn't be reached, Mrs L's complaint has been passed to me to consider.

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.

The Financial Conduct Authority (FCA) issued guidance to lenders on 2 April 2020 which explained what it expected from businesses during the exceptional circumstances arising out of the global pandemic. It provided guidance asking businesses to consider payment deferrals of up to three months under regulated credit agreements.

The FCA said their guidance applied where consumers were already experiencing or reasonably expect to experience temporary payment difficulties as a result of the pandemic. The FCA also said that *“firms should ensure that there is no negative impact on the consumer’s credit file because of the payment deferral”*.

When Mrs L first contacted HSBC, this guidance hadn’t been issued. So, I think HSBC acted appropriately by offering Mrs L breathing space. But after the FCA’s guidance was released, HSBC declined Mrs L’s application. This despite her having told them that her income had been impacted by the global pandemic. Ultimately, HSBC addressed this and back dated the payment holiday, agreeing it for four months. I think that was the right thing to do. They paid Mrs L compensation of £50, which feels fair here.

Unfortunately, HSBC reported the repayments under the payment holiday as being missed. This didn’t meet the requirements of the FCA’s guidance. So, I believe they were also right to correct that. Unfortunately, they only amended three of the missed repayments. So, the July repayment was still reported as missed.

HSBC have accepted their mistake here and have since rectified it. They’ve also paid the equivalent of one month’s loan repayment by way of further compensation. Again, this response feels fair to me.

Mrs L insists her mortgage was declined as a direct consequence of HSBC’s mistake. So, I asked her to provide confirmation from the mortgage lender this was the case. Unfortunately, Mrs L has been unable to provide this.

I fully appreciate Mrs L’s frustration and concern about the error that was made here. Finding incorrect information recorded about you at credit reference agencies can be very worrying. It’s clear that HSBC made a mistake. Because of this, I can see why Mrs L thinks that this caused the declined mortgage.

But there are many other factors that impact upon a mortgage application. Each lender uses their own criteria. This is tailored to the product they are offering, the customers they wish to attract and the market circumstances. Their assessment criteria can change regularly. The decision process would consider a range of factors about the applicant. The information on a credit file is only one part of that. It wouldn’t necessarily lead to an agreement or decline on its own. So, it isn’t possible to conclude that Mrs L’s mortgage application was declined as a direct consequence of HSBC’s mistake.

I also asked Mrs L to provide something to support her assertion that HSBC’s mistake left her no other option but to engage with a mortgage broker. While she has provided a copy of a payment receipt from the broker, this doesn’t suggest this was her only option or that this was because of something HSBC did. Different mortgage brokers cover their costs in different ways. Some charge fees while others rely solely upon commission from the lender. Mrs L chose to use this particular broker. So, I can’t reasonably conclude that the costs incurred were as a direct consequence of HSBC’s mistake here.

Compensation is a personal thing. What is seen as reasonable by one party may not be considered so by another. Mrs L did experience some inconvenience. But I think the amounts already paid, together with HSBC’s subsequent offer, feels fair in all the circumstances here. I appreciate that Mrs L doesn’t agree. But it isn’t the role of this service to make awards in order to penalise HSBC for their mistakes. Any award is considered

based upon the impact their mistake had upon Mrs L. And I think HSBC's offer does that here. So, I shall be supporting that in my decision.

My final decision

For the reasons set out above, I uphold Mrs L's complaint.

In addition to the compensation already paid of £50 and £169.21, I require HSBC UK Bank Plc to pay further compensation to Mrs L of £100.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L to accept or reject my decision before 13 April 2022.

Dave Morgan
Ombudsman