

## **The complaint**

Mrs K is unhappy with the service that she received from HSBC UK Bank Plc surrounding her application for a payment holiday on her HSBC personal loan account.

## **What happened**

Mrs K applied for a three-month payment holiday on her loan account in April 2020 as she was struggling to meet the contractual repayments required on the account because of the financial impact of Covid-19.

Unfortunately, HSBC were themselves experiencing operational difficulties as a result of Covid-19 at that time, and the payment holiday wasn't applied to Mrs K's account in a timely manner. This meant that a loan payment was collected from Mrs K's current account by direct debit.

HSBC confirmed to Mrs K that they would reverse the taken loan payment, cancel the direct debit to avoid further payments being taken, and retrospectively apply the three-month payment holiday to her account to start in April 2020.

However, further HSBC delays meant that, by the time that HSBC attempted to apply the payment holiday, Mrs K's loan account was showing on their system as being two months in arrears – because of the cancelled direct debit and the agreed non-collection of payments. This in turn meant that Mrs K's application for the three-month holiday was declined by HSBC and the loan account arrears were reported by HSBC to Mrs K's credit file.

Mrs K raised a complaint with HSBC about this, and HSBC confirmed that they would remove the arrears from her credit file and apply the agreed three-month payment holiday to her account starting in April 2020. HSBC also apologised for what had happened and credited Mrs K's account with £100 for the trouble and upset the matter had caused.

Mrs K didn't subsequently receive any confirmation from HSBC that the payment holiday had been applied to her account, and while HSBC confirmed that it had been applied they also acknowledged that Mrs K's credit file hadn't been amended as they had promised it would, and so they issued another apology to Mrs K and paid a further £100 compensation to her.

Mrs K wasn't satisfied with HSBC's response, and she noted that her credit file was still showing the loan account as being in arrears, so she referred her complaint to this service.

One of our investigators looked at this complaint. They liaised with HSBC who confirmed that the credit file amendments had been completed. Additionally, while our investigator acknowledged that Mrs K had been unreasonably distressed and inconvenienced by what had happened, they felt that HSBC's response to her complaint, including the corrective action and the amounts of compensation already paid, already represented a fair and reasonable resolution, and so they didn't think that HSBC should take any further action.

Mrs K remained dissatisfied, so the matter was escalated to an ombudsman for a final

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.

I issued a provisional decision on this complaint on 19 January 2022 as follows:

*HSBC don't dispute that Mrs K didn't receive the standard of service from them that they aspire to here, and they've acknowledged that the three-month payment holiday wasn't applied to Mrs K's account when it should have been and that this caused other issues, including the reporting of arrears to Mrs K's credit file that shouldn't have been reported.*

*In circumstances such as this, it would be expected that HSBC would take the corrective action necessary to ensure that Mrs K's loan account and credit file are put back into the position that they should be in, had the payment holiday been applied in a timely manner.*

*I think that HSBC have done that here, and I say this because it's evident that the payment holiday has been applied retrospectively to Mrs K's account to begin in April 2020 when it should have done, and also because HSBC have been able to demonstrate that they requested corrective amendments to Mrs K's credit file which they submitted to the credit reference agencies in September 2020.*

*I note that Mrs K feels that the credit file amendments haven't been made by HSBC as promised and that she's sent screenshots to this service to corroborate this. However, these screenshots appear to be from around the time that HSBC submitted the amendment request.*

*As such, given that HSBC have been able to confirm that they did supply an amendment request to the credit reference agencies in September 2020, and given that it can take over a month for requested credit file amendments to be made, I don't feel that the screenshots supplied by Mrs K in this regard can be taken as evidence that the incorrect reporting remains on her credit file at this time. However, if Mrs K is able to provide up to date screenshots of her credit file which show the incorrect reporting as remaining in place, I will of course take these into consideration before issuing any further decision.*

*It would also be expected, in circumstances such as this, that HSBC would acknowledge the impact that their errors have had on Mrs K and that they would make a fair and reasonable payment of compensation to her for the trouble and distress this matter has caused. In this instance, HSBC have apologised to Mrs K for what has taken place, and they've made payments of compensation to her totalling £200.*

*Matters of compensation can be subjective, with an offer considered as being fair and reasonable by one person not being considered as being such by someone else. But having considered the circumstances here, I don't feel that £200 that HSBC have already paid to Mrs H does provide fair compensation for the upset and inconvenience this matter has caused. And as such my provisional decision will be that I am upholding this complaint in Mrs K's favour and instructing HSBC to pay an additional £300 to her, taking the total amount of compensation payable to Mrs K to £500.*

*In arriving at this provisional decision I've considered the ongoing nature of these events and the impact of them on Mrs K, which it must be remembered took place at a time when Mrs K, as a key worker, was working through the Covid-19 pandemic and was therefore already in a position of heightened stress.*

*As such, I do feel that HSBC's errors here – while understandable given the large amount of payment holiday applications that they'd received and the operational difficulties that they themselves faced at that time – did have a significant impact on Mrs K such that I feel that the payment of £300 further compensation to Mrs K is fair and reasonable. And I'd like to confirm to HSBC that my taking into consideration of the operational difficulties that they were experiencing at that time is one reason why my instruction of further compensation isn't more than £300 here.*

*Finally, Mrs K has mentioned that she feels that she should be compensated for her not being able to obtain a favourable mortgage while the incorrected reported arrears were in place on her credit file. I can appreciate Mrs K's strength of feeling here, but there are many reasons why a mortgage application can be declined or a particular rate of interest not offered, and so in order to consider this point in Mrs K's favour I would need to be satisfied that it was solely HSBC's error that had caused Mrs K financial detriment in this regard.*

*This is difficult to evidence, but if Mrs K can provide details of the mortgage that she applied for as well as a letter from the mortgage provider confirming that the arrears reported on her loan account was the sole reason for Mrs K not being issued with a more favourable mortgage offer, I would be happy to consider this point further.*

*All of which means that, as explained above, my provisional decision here is that I am upholding this complaint in Mrs K's favour and instructing HSBC to make a further compensation payment of £300 to Mrs K – taking the total amount of compensation payable to £500.*

Both Mrs K and HSBC subsequently confirmed that they were happy to accept my provisional decision, although Mrs K did note that she'd received a further letter from HSBC asking her to clear the arrears that were considered as having accrued on her account during the payment holiday period.

I asked HSBC about this letter, and HSBC confirmed that Mrs K isn't considered as being in arrears – given the nature of the payment holiday that was applied to her account – and that the letter in question is an automated letter that they are unable to prevent being sent. This seems reasonable to me, and I encourage Mrs K to gain further confirmation from HSBC in regard to the nature of this letter if she feels it necessary to do so.

All of which means that I see no reason not to uphold this complaint in Mrs K's favour on the basis outlined in my provisional decision letter, and my final decision is therefore that I do uphold this complaint on that basis accordingly.

### **Putting things right**

HSBC must make a further payment of £300 to Mrs K, bringing the total amount of compensation paid to Mrs K to £500.

### **My final decision**

My final decision is that I uphold this complaint against HSBC UK Bank Plc on the basis

explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K to accept or reject my decision before 23 March 2022.

Paul Cooper  
**Ombudsman**