

The complaint

Mr F complains that HSBC UK Bank Plc mishandled his requests for a payment holiday, including a lack of communication and ultimately adverse information being reported on his credit file.

What happened

Mr F had two personal loans with HSBC. In April 2020, he contacted them and said his income had been negatively impacted as a result of the global pandemic. He wanted to apply for a payment holiday on both his loans. HSBC agreed to his request in May 2020 and deferred his loan repayments during June, July and August 2020.

Mr F's loan repayments were collected by direct debit as normal in September. But as his earnings were still impacted, Mr F contacted HSBC in October 2020 to request a three-month extension of the payment holidays. When he didn't receive a response, Mr F assumed his request had been agreed. So, no payments were made in October and November 2020.

Mr F received letters from HSBC advising that he'd missed payments. So, he contacted them to discuss this. HSBC said his application for a payment holiday extension had been declined. So, Mr F complained as they hadn't told him that previously. HSBC agreed they'd not told him about the decline and agreed to amend his credit file to remove the reported missed payments in October and November 2020.

Mr F received letters again in December 2020 advising that he'd missed further payments. So, he contacted them to complain. To resolve the problem, HSBC agreed to provide a three-month payment break for both his loans.

Mr F wasn't happy with how HSBC had handled his requests and subsequent complaints. He thought they should've agreed to the payment holiday extension. But where they didn't, he thought they should've told him promptly so that he could consider other options to address his financial challenges. He was also unhappy that the missed payments had adversely impacted his credit file with the credit reference agencies. Mr F decided to refer his complaint to this service.

HSBC told our adjudicator they agreed they'd made mistakes. They confirmed that any adverse information reported in October and November 2020 would be removed from Mr F's credit file. HSBC also offered to pay £500 compensation, should Mr F wish to accept it.

Our adjudicator also agreed that HSBC had made mistakes and thought that the steps they'd taken to resolve these were fair in the circumstances. Our adjudicator also thought that HSBC's offer of compensation was fair.

Mr F didn't agree with our adjudicator's view. He thought HSBC should remove all information relating to missed payments and arrangements from his credit file. He also didn't think HSBC's decision to refuse his payment holiday extension request met with the FCAs guidance. He said their actions, and the impact upon his credit file, meant that he couldn't apply for further credit. He also had to delay plans to apply for a mortgage for a property purchase as a consequence.

An agreement couldn't be reached, Mr F's complaint has been passed to me to consider further.

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 in April 2020 which explained what they expected from businesses during the exceptional circumstances arising out of the global pandemic. They 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"*.

Mr F's initial request was submitted to HSBC in April 2020. HSBC agreed a three-month payment deferral, and the missed payments weren't reported on Mr F's credit file. So, they appear to have met the FCA's requirements here.

Further guidance issued by the FCA on 1 July 2020 extended these measures, and where consumers were still struggling due to the global pandemic, businesses were advised to freeze or reduce their payments for a further three months. In September 2020, the FCA announced that the support scheme would change from the end of October 2020. From then, firms could continue to support customers in difficulty – but it was down to their discretion and customers' circumstances.

I can't see that Mr F contacted HSBC before his initial payment deferrals expired. As a result, the direct debits for his two loan repayments were reinstated and the loan repayments due in September were paid. Mr F made applications to HSBC for a further three-month payment deferral on both loans in October 2020. HSBC have confirmed these were received. But they also admit that they failed to advise Mr F of the outcome of his applications. As a result, Mr F missed the payments due in October and November 2020.

HSBC explained that Mr F's applications were declined as he'd already met the September loan repayments. They said this suggested he could now afford the repayments. But Mr F said this wasn't the case, hence his application. Having studied the FCA's guidance, I can't find any reference to further payment deferrals not being available where repayments have been met after expiry of the first deferrals. So, this appears to be HSBC's own policy. The FCA's original guidance only asked business to consider payment deferrals. Any application needed to be assessed on its own merits. Given Mr F's financial circumstances at the time, further deferrals may not have been appropriate. Particularly as this would result in additional interest being added to Mr F's existing debts. So, I can't reasonably conclude that HSBC ultimately made a mistake by declining his application.

It isn't the role of this service to ask a business to alter its procedures, processes and policies, or impose improvements on the level of service offered to their customers. These aspects fall firmly within the remit of the regulator – in this case, the Financial Conduct Authority (FCA). But it is our role to examine and decide whether HSBC has been fair and reasonable in the manner in which those policies and procedures are applied in the individual circumstances of Mr F's experience with them.

I agree HSBC could've done better here. I think if Mr F had been made aware of their decision sooner, he could've considered other options. This may have included a request for HSBC to consider alternative forms of support. HSBC reported the missed repayments on Mr F's credit file with the credit reference agency and it was only later he discovered this. HSBC agreed to remove the missed payments reported from his credit file. And I think that was the right thing to do here.

In December 2020, HSBC agreed a three-month payment break for Mr F's loans. Given the changes in the FCA's guidance, this appears to have been an appropriate solution to address Mr F's problems at the time. But Mr F is unhappy that this resulted in details of the arrangement being reported on his credit file.

HSBC confirmed the payment breaks in letters to Mr F in December 2020. Their letters said, that *"the payment break doesn't change the terms of your agreement...We have let the credit reference agencies...know that we have entered into an arrangement with you. This could make it more difficult for you to borrow in the future"*. So, I think HSBC were clear about the consequences of the arrangements agreed.

Mr F suggests that HSBC's action negatively impacted his credit file. HSBC removed any adverse information reported in October and November 2020. So, I don't believe Mr F has been disadvantaged here. And I also think the payment breaks appeared to be appropriate, given Mr F's circumstances at the time. He's confirmed that he didn't have the funds to bring payments up to date. HSBC were obliged to report the payment break arrangements to the credit reference agencies as this was an accurate reflection of what actually happened. So, I can't reasonably say they did anything wrong by doing that. But as I've already mentioned, I do think HSBC's communication could've been better throughout.

After Mr F referred his complaint to this service, HSBC offered to pay him compensation of £500, should he wish to accept it. I think this feels fair in the circumstances here and serves to reflect the distress and inconvenience caused by HSBC's failings. So, I shall be formally reflecting this in my decision. But, while I realise Mr F will be disappointed, I shan't be asking HSBC to do anything more.

My final decision

For the reasons set out above, I uphold Mr F's complaint:

I require HSBC UK Bank Plc to pay compensation to Mr F of £500.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 12 May 2022.

Dave Morgan
Ombudsman