

The complaint

Mr A has complained that HSBC UK Bank Plc recorded him as being in arrears when he was on a payment holiday.

What happened

In 2020, Mr A was put on furlough, so he arranged a payment holiday for his HSBC loan.

However, HSBC recorded one of his payment holiday months as a missed payment on his credit file. They also wrote to Mr A and called him, chasing him to repay his arrears. Even when Mr A spoke to HSBC about this and they promised to stop the calls, the calls continued.

HSBC explained that despite the payment holiday, they were required to send the written arrears notices when they didn't receive payments. They accepted they'd recorded things wrong on Mr A's credit file. They offered him compensation equivalent to one months' repayment – a little over £150. They eventually fixed his credit file.

Our adjudicator looked into things independently and felt HSBC had already put their mistake right fairly.

Mr A didn't agree, so the complaint was been passed to me to decide.

I sent Mr A and HSBC a provisional decision on 10 February 2022, to explain why I thought the complaint should be upheld. In that decision, I said:

Mr A was already in a very stressful situation when he arranged this payment holiday. So I can completely understand why it was then particularly distressing to receive repeated calls and letters telling him he was in arrears.

To explain, under the rules HSBC have to follow, they were required to send the written arrears notices to Mr A when he didn't make a payment – even though he was on a payment holiday. Those rules were written some time ago and don't take account of payment holidays for the pandemic. So HSBC didn't do anything inherently wrong by sending the written notices – they were required to send them. I appreciate this is not intuitive.

With that said, I'd have expected HSBC to explain things clearly in their arrears letters and to give Mr A suitable context. For example, they could have made it clear that they were only sending the arrears notices because they had to, that they knew Mr A was on a payment holiday, and that he didn't need to worry as he wasn't actually behind. But I can't see that they did anything like that. They just sent notices with standard wording, and in doing so HSBC caused unnecessary distress and confusion.

Further, I understand that HSBC were regularly calling Mr A chasing him for repayments – despite his payment holiday. HSBC were certainly not required to do that and I think that was a substantial error on their part. I can see that Mr A repeatedly explained things to HSBC’s advisers and was told the calls would stop, but it looks like they did not stop for some time. I gather this was particularly stressful for Mr A.

And of course, both sides accept that HSBC should not have recorded any missed payments on Mr A’s credit file during his payment holiday. Again, I can see that Mr A had to raise this issue repeatedly before it was finally fixed in early 2021. That’s not an acceptable timeframe.

Mr A pointed out that he’s still getting written arrears notices, so he’s concerned his credit file may still be incorrect. I’ve looked at what HSBC are reporting, and I can see his account is marked as up to date with no missed payments. So I hope I can reassure Mr A that there are no arrears on his credit file for this loan. As above, HSBC are just sending him arrears notices because they’re technically required to – as he didn’t make payments for several months under his payment holiday. But so long as Mr A keeps up his repayments now and doesn’t actually fall behind, he can essentially ignore those notices.

So, I think HSBC got things wrong here in terms of not explaining the notices, calling Mr A to pursue him, and recording things incorrectly on his credit file for months on end. When a business gets things wrong, we often tell them to pay compensation, to acknowledge their errors and the impact they had. In terms of the amount, it’s worth bearing in mind that we’re not here to punish businesses or to issue large fines.

I’m glad that HSBC offered Mr A some compensation. But I don’t think the amount they offered quite reflects the level of trouble and upset they caused for Mr A in an already stressful situation, nor the months it took to fix things. We have guidelines about what levels of compensation to award. And to be consistent with those, I think £400 total compensation would better reflect the impact this had on Mr A.

Of course, if HSBC has already paid Mr A their previous offer, they can take that off the £400 total.

I said I’d consider anything else anyone wanted to give me – so long as I received it by 10 March 2022. Mr A didn’t add anything further. HSBC said while they didn’t agree with everything I’d said, they nevertheless would accept the proposed settlement.

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.

Neither side have sent me any new evidence or arguments. So having reconsidered the case, I’ve come to the same conclusion as before, and for the same reasons as set out in my provisional decision above.

My final decision

For the reasons set out, I uphold Mr A's complaint, and direct HSBC UK Bank Plc to pay him £400 compensation in total.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 7 April 2022.

Adam Charles
Ombudsman