

The complaint

Mr K complains that HSBC UK Bank Plc have reported adverse information on his credit file.

What happened

Mr K had a HSBC credit card. When he reported his credit card as lost/stolen, HSBC placed a gone away indicator on his account. This led to his online access to his account being blocked and he didn't receive any correspondence from them, including statements.

Mr K says he tried to make a payment to HSBC in September 2018, but he says the call handler told him not to worry about the payment as he had made an overpayment the previous month. Mr K also tried to ring HSBC in October, but he wasn't able to get the situation rectified. He says his overpayment was ultimately used to settle his account.

Mr K became aware that his credit file was showing adverse information, so he made a complaint to HSBC in late 2019. He said he was trying to get a mortgage and that the adverse credit information could cost him thousands of pounds if the mortgage wasn't approved because of what happened.

HSBC did not uphold Mr K's complaint. They emailed him on 20 December 2019 and they said that his credit card was closed on 24 April 2019, due to the various missed/late payments on the account. They said his credit file reflected the correct information so they wouldn't alter his credit file.

Mr K brought his complaint to our service. As Mr K did not bring his complaint to our service within six months of the date of HSBC's final response email, HSBC initially did not give us consent to look into the complaint. Mr K explained his exceptional circumstances of why he was unable to do so and HSBC granted us consent to consider Mr K's complaint. HSBC also revised their stance on the complaint. They said that after reviewing their records, there did seem to be an issue with the service Mr K received from them.

HSBC explained that a gone away marker had been transferred to Mr K's new credit card. This may have caused him to be unable to access the online banking facilities and his statements not being sent. They were unable to explain why the gone away indicator was initially applied. HSBC also said that Mr K was misinformed in April 2019 about his account closure.

HSBC said that as Mr K had missed payments then his credit file should accurately reflect the payment history for Mr K and that the default had been applied correctly, so no amendments were due. Because of the service issues, HSBC offered Mr K £200 compensation for distress and inconvenience. Mr K declined this offer.

Mr K said in 2020-2021 he was planning on buying two houses. A residential property and a buy to let. Because of the default on his credit file, Mr K says that an application was declined, another company declined to further work on his case and he had to switch to a fee paying broker, where he had to pay £549 upfront.

For the buy to let property, Mr K's mortgage broker attempted to get a buy to let mortgage with one provider, but they declined his application. Mr K says it was due to the default by HSBC. Mr K said there was only one lender who could accept his application, but this resulted in much higher overall costs and he detailed these costs to our service.

Our investigator upheld Mr K's complaint. He said HSBC shouldn't have applied the gone away marker to Mr K's credit card. If HSBC hadn't done this, then Mr K would've had access to his online account, and he would've received the statements in the post. Our investigator said that it is more likely than not that Mr K would've at least made the minimum payment required of him if he received his statements based on his payment history. So HSBC wouldn't have recorded any adverse information to the Credit Reference Agencies.

With regards to what Mr K has said about his financial loss as a result of HSBC's information on his credit file, our investigator said it would not be fair to hold HSBC responsible for Mr K to secure favourable mortgage borrowings, while Mr K was aware there was a problem with information on his credit file having complained to HSBC in December 2019. He said there was no evidence of Mr K adding notes of correction to HSBC's credit file entry. He said HSBC gave Mr K the opportunity to refer his complaint to this service in December 2019, so it didn't mean that HSBC should be responsible for any higher costs, when Mr K had the opportunity to mitigate his situation, before he sought to take out further borrowing.

Our investigator said that HSBC should pay Mr K an extra £200 to what they had offered him, to total £400 based on the distress and inconvenience they caused him. Mr K asked for an Ombudsman to review his complaint and he forwarded his schedule of losses to our service.

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.

At the outset I'd like to emphasise that this service is not the regulator. Nor do we act as the enforcer for the regulator. The regulator is the Financial Conduct Authority. Our service acts as an informal dispute resolution service for complaints about financial businesses. We look at the circumstances of individual complaints and, on a case by case basis, taking into account relevant industry guidance for example, make findings about whether a financial business has failed its customer in any way.

Where we find it has, we make awards designed to make the business put things right with the complainant customer. Our awards are not designed to punish a business or to make it change the way it acts in order to protect other customers in the future. That is the role of the regulator.

Mr K has made a number of points to this service and I've considered and read everything he's said and sent us. But, in line with this service's role as a quick and informal body I'll be focusing on the crux of his complaint in deciding what's fair and reasonable here.

I'm persuaded that HSBC has let Mr K down on a number of occasions. They applied a gone away indicator to his account which led to a chain of events which I believe would have been completely avoidable had they not done so.

I say this as Mr K appears to have always made his HSBC monthly credit card repayments on time. As a result of HSBC's error to apply the gone away indicator, this resulted in Mr K not being able to access his account online and this prevented him from receiving statements.

I'm satisfied that if Mr K would have received his next statement, he would have made at least the minimum payment (£5), but given his previous month's payment of £50, it's also possible he would've paid the remaining outstanding balance of £22.81. And then none of the subsequent events would've unfolded.

But as no following statements were sent to Mr K, he would be unaware of what he would need to pay towards his outstanding balance, especially as he didn't have access to his account online.

I can see that Mr K did try to speak to HSBC in September 2018. But there are no call recordings of this call or the following calls he's made, I've no reason to doubt what Mr K has said happened on these calls. So if he was told that the £50 he had made in August 2018 would be classed as an overpayment and it would be used to take any payments due, then I can understand why he was under the impression that an overpayment had been made and ultimately was used to close his account in April 2019 – even though this wasn't correct.

While Mr K paid more than the minimum payment on 6 August 2018, he would have still been required to pay at least the monthly minimum payment each month that an outstanding balance remained, regardless of how much was paid in a previous statement period. HSBC wrote off the balance when they didn't receive the payments from Mr K – this wasn't as a result of an overpayment from Mr K.

HSBC have also said they gave Mr K misinformation about the closure of his account in April 2019. Mr K has also explained other examples of being told incorrect information, such as when he visited the branch.

So I've considered what would be a fair resolution to Mr K's complaint. I agree with our investigator that HSBC's offer of £200 does not cover the impact that the several months of inconvenience and distress would have had on Mr K, from when the gone away indicator was on his account in July 2018, especially as it appears he's tried to be proactive to pay any outstanding balance he had on the credit card.

I've also considered Mr K's schedule of losses. But I can't say it would be fair for HSBC to pay any of these costs. I know Mr K will be strongly disappointed with this, so I'll explain how I've reached this conclusion.

Mr K provided us with an email from a third party mortgage provider dated 6 December 2019, explaining that Mr K would face difficulties in getting a mortgage with them if the adverse credit information remained on his credit file. So Mr K was aware of the importance of progressing his complaint in December 2019 and the implications of not doing so. But it was in late March 2021 when Mr K brought his complaint to our service.

I've read all that Mr K has said regarding his exceptional circumstances in why he brought his complaint to us when he did. But Mr K has also provided us with a mortgage offer letter from the company who provided him with his residential mortgage, dated 9 July 2020. So I think it would be reasonable that if Mr K was able to progress a mortgage application during this timeframe, then it would have been reasonable to progress his complaint earlier than he did, especially as he was aware of the implications the adverse credit data could result in affecting his choice of mortgage providers and the resultant additional costs of not being accepted by his preferred mortgage provider.

So I can't say it would be reasonable to hold HSBC responsible for any additional charges or interest he would incur by not being able to take a mortgage with his preferred lender, when

he hadn't taken any action to resolve the outstanding issue he was aware of before he enquired about taking further borrowing.

Based on the distress and inconvenience that HSBC caused, I'm persuaded that the total compensation HSBC should pay Mr K is £400. I'm satisfied this recognises the multiple times that HSBC let Mr K down. This set off a chain of events which would have been – in my opinion – avoidable had the gone away indicator not been placed on the account. I'm satisfied that Mr K would have met at least his monthly payment, but in all likelihood, he would have paid off the outstanding £22.81 balance, especially as he was aiming to get two mortgages in 2020-2021. So any adverse credit information recorded by HSBC should also be removed regarding his credit card. So it follows I'll be asking HSBC to put things right for Mr K.

Putting things right

Our investigator has suggested a total of £400 compensation is fair in the circumstances and I agree this is a reasonable amount for the impact HSBC's errors had on Mr K. HSBC should also remove any adverse credit information they recorded on Mr K's credit file about his HSBC credit card.

My final decision

I uphold the complaint. HSBC UK Bank Plc should;

Pay Mr K £400 for distress and inconvenience,

Remove any adverse credit information they recorded on Mr K's credit file about the HSBC credit card.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 11 May 2022.

Gregory Sloanes
Ombudsman