

The complaint

Mr W complains about the service he received when he approached HSBC UK Bank Plc (“HSBC”) for support as a result of the Covid-19 pandemic.

What happened

Mr W had two loans and a credit card account with HSBC. In March 2020, his income was impacted by Covid-19 and he contacted HSBC for support. HSBC applied Breathing Space to his accounts for 60 days. That meant Mr W didn’t have to make any payments, but his accounts would be treated as being in arrears and his credit file would be impacted. This came to an end in May 2020. Mr W applied for payment holidays on his accounts at that point and says he was told that HSBC would contact him about his applications.

But he says he had to keep chasing HSBC to find out what was going on. He says he made 13 calls between May and November 2020, but no-one was able to tell him what was happening until November, when he says he was told his applications hadn’t been processed. No payment holidays had been put in place and missed payments had been recorded on all of his accounts.

In the period from May to November 2020, Mr W made three complaints to HSBC about the lack of communication and contradictory information he says he received about his payment holiday applications. In response, HSBC paid him £250 in total to acknowledge the trouble and upset caused and recognise any misinformation given.

But Mr W remained unhappy about the situation and came to this service in December 2020. He said his credit file had been seriously affected and he couldn’t access credit services as a result. He wanted HSBC to remove the missed payments from his credit file and make proposals for managing the accounts going forward.

HSBC said that Mr W wasn’t eligible for a payment holiday because he had no income and his accounts were in arrears. It said it made the right decision to apply Breathing Space to his accounts and that it had tried to reach a repayment solution with Mr W since then, but nothing had been agreed. HSBC said it didn’t need to amend Mr W’s credit file as it was an accurate reflection of his account status. After the complaint was referred to this service, Mr W’s accounts were defaulted and transferred to a debt collection agency.

I issued a provisional decision on 24 March 2022 indicating my intention to uphold this complaint. Both parties have accepted the provisional decision so I’m now making a final decision about this complaint.

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 haven't seen anything which changes my mind about the appropriate outcome here. So I'm going to uphold this complaint in the way I indicated in my provisional decision. My reasons are set out below.

There's no dispute that Mr W only contacted HSBC because of the impact Covid-19 was having on his income. He was acting responsibly by proactively contacting his creditors.

In April 2020, the Financial Conduct Authority (FCA) released guidance which said that firms should offer payment holidays of up to three months to customers who were negatively impacted by coronavirus. It said that customers' credit files shouldn't be affected by taking a payment holiday. These measures were extended in July 2020, when the FCA said that firms should extend payment holidays for a further three months for customers who were still struggling due to coronavirus.

Mr W first called HSBC on or around 26 March 2020. This was before the FCA's guidance had been released. So I appreciate why HSBC didn't offer him a payment holiday at that point. But I think it should have agreed to a payment holiday when he applied in May 2020.

I'm satisfied that, when Mr W first called HSBC in March, he would have met the criteria for a payment holiday if payment holidays had been available then. His accounts were up to date and his finances had been affected by Covid-19. By May 2020, when he applied for a payment holiday, his accounts were no longer up to date. But the reason for this was because Breathing Space had been set up on the accounts. So Mr W was worse off for having proactively contacted HSBC before the FCA guidance was released and for having agreed to the arrangement suggested by HSBC at the time, just a few days before the FCA guidance was issued.

I think the FCA guidance ought to have been applied retrospectively here. I think Mr W could have been eligible for a payment holiday of up to six months. He wouldn't have had to make payments during that time and his credit file wouldn't have been impacted. But the Breathing Space had a negative impact on his credit file and meant that his account was viewed as being in arrears.

HSBC says that, when Mr W's request for a payment holiday was declined, he should have engaged with it to come to another repayment solution. But Mr W's request for a payment holiday wasn't declined. I haven't seen any evidence of it being considered or decided one way or another. A large element of Mr W's complaint is that he never heard back from HSBC about his application.

It's clear from HSBC's complaint investigation notes that Mr W hadn't been given an answer about whether a payment holiday would be applied to his accounts and that no decision had yet been made about it by HSBC. The final response letters dated 17 July 2020 and 28 September 2020 confirmed that Mr W was still waiting for an answer. They said "*I can confirm that the matter has now been referred to the Financial Support Team (FST). If you haven't already been contacted, then someone will contact you within the next 10 working days to discuss your payment holiday application*".

I've listened to the recording of Mr W's call to HSBC on 12 November 2020. This was provided by Mr W, although HSBC had said previously that it wasn't available. In this call, Mr W was told that his accounts were on the payment holiday spreadsheet, but the dates were blank. The agent said the only reason for this would be that the payment holiday applications had been declined, and the reason they would have been declined was because he was on Breathing Space. But Mr W still hadn't received an official response to his applications and I don't think this call amounted to one.

Mr W complained again but he says he didn't hear anything from HSBC, so he referred the complaint to this service in December 2020. HSBC responded to the complaint on 26 January 2021. Once again, the solution offered was that someone from the FST would call Mr W. HSBC's contact notes show that it did try to call Mr W shortly after the letter was sent, but contact wasn't successful. HSBC says that Mr W should have engaged with it. But I don't find this to be a straightforward case of a customer refusing to engage.

It's right that both parties needed to engage in order to reach a solution. Mr W is responsible for the management of his account and HSBC has obligations to Mr W. But Mr W wasn't given a clear answer to his payment holiday request over a period of months. He had tried on many occasions to find out what was happening but hadn't been given an answer by HSBC. This was understandably extremely stressful and frustrating. By the time HSBC wanted to speak to him in January 2021, communications between HSBC and Mr W were very strained and the complaint had been referred to this service. He wanted to wait for the outcome of the investigation by this service, which doesn't seem unreasonable.

Mr W's accounts have since been defaulted and passed to a debt collection agency. I can understand why HSBC took those steps, as Mr W hadn't made any payments since March 2020. But, for the reasons above, I think Mr W should have been on a payment holiday for part of that time. And, if that had happened, I think it's likely that his accounts would be in a different position now.

Mr W has responsibility for the management of his accounts. But HSBC made a series of mistakes here, namely applying Breathing Space, not putting payment holidays in place, not responding to Mr W's applications, continuing to suggest over months that the payment holiday requests were still being considered and giving Mr W inconsistent information. I think these mistakes contributed significantly to the current situation with Mr W's accounts.

From all the information I've seen, I think HSBC should have dealt with Mr W's request for support more appropriately and in line with the FCA's guidance, offering him support when he needed it. To put things right, I think HSBC should remove the adverse entries from Mr W's credit file from March 2020 onwards, recall his accounts from the debt collection agency and re-age his accounts. Mr W should resume payments to the accounts and I would urge him to engage with HSBC about this.

From what I've seen, HSBC didn't apply any interest to Mr W's accounts after March 2020. I think that's fair, so I'm not planning to ask it to do any more about that.

HSBC has paid Mr W £250 to date for distress and inconvenience. That was for misinformation about his applications. It wasn't to do with the effect this had on his accounts or credit file or the stress of the situation over many months. I'm also aware that Mr W has had to bring the complaint to this stage to get answers to exactly what happened here and he has spent a great deal of time on this complaint. So I think a further compensation payment is warranted.

But I'm looking at the situation impartially so, in deciding the amount of compensation, I've also taken into account the fact that Mr W hasn't made any payments over many months, including after it became apparent that HSBC wasn't going to put a payment holiday in place. I understand his reasons for this, but I don't think it was helpful to the overall situation. Taking everything into account, I think a further compensation payment of £100 would be appropriate.

Since issuing my provisional decision, I understand that HSBC has recalled some or all of the accounts from the debt collection agency. Mr W says HSBC has contacted him, asking him to get in touch about the loans. HSBC has confirmed that the accounts were placed on

hold for 30 days from 23 March 2022 pending the outcome of this complaint and that calls on all three accounts have been held until the end of May. I think that's reasonable. I would urge Mr W to contact HSBC to agree a way forward for each of the accounts.

Mr W says he has also received contact from HSBC about his overdraft facility and his banking relationship more generally. The overdraft facility doesn't fall within the scope of this complaint so I'm not looking at that here. But I haven't seen anything to suggest that any communications from HSBC about it were driven by this complaint. As to the banking relationship more generally, HSBC says it can't find a record of anything having been said to Mr W about this and I haven't seen anything which enables me to reach any conclusions about this. I would urge the parties to resume contact now and agree a way forward.

My final decision

For the reasons above, I uphold this complaint. HSBC UK Bank Plc should:

- remove adverse information reported to the Credit Reference Agencies from March 2020 onwards;
- recall Mr W's accounts from the debt collection agency (if it hasn't already done so);
- re-age Mr W's accounts; and
- pay Mr W further compensation of £100.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 24 May 2022.

Katy Kidd
Ombudsman