

The complaint

Mr G complains that HSBC UK Bank Plc unfairly closed and defaulted two loans.

What happened

Mr G had two loans with HSBC and successfully applied for payment holidays during the summer of 2020. HSBC wrote to Mr G before the end of the payment holidays. In August 2020 Mr G applied for extensions to his existing payment holidays and an income and expenditure assessment was completed. But the assessment indicated Mr G's outgoings exceeded his income. HSBC says that meant Mr G wasn't suitable for a payment holiday and needed more longer term support.

HSBC accepts that in October 2020 it incorrectly told Mr G a payment holiday could be backdated. But that information was wrong and arrears continued to accrue on Mr G's accounts. HSBC sent Mr G arrears letters and notice it intended to default his loan accounts. But Mr G had moved and post was returned undelivered.

The loans were later closed and defaults reported on Mr G's credit file.

Mr G complained to HSBC but it didn't agree it had acted unfairly by closing the loans. HSBC agreed to refund a payment Mr G made at the end of the original payment holiday but didn't agree to remove the defaults from his credit file.

An investigator at this service looked at Mr G's complaint. They thought HSBC had waited too long to close and default Mr G's loans and asked it to back date the defaults to September 2020 and refund interest and charges applied beyond that date. They also asked HSBC to pay Mr G £100 for the distress and inconvenience caused by the way it communicated with him.

HSBC agreed but Mr G asked to appeal and said his financial situation when applying for the second payment holiday was the same as when he applied for the first. Mr G also said he was aware he needed to make payments but was waiting for HSBC to respond. Mr G also said HSBC had failed to make it clear he needed to provide up to date direct debit instructions to make payments. Mr G also pointed out he'd paid in £500 to his current account to make payments and advised he'd asked HSBC to correspond by email.

As Mr G asked to appeal his complaint has been passed to me to make a 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'm aware I've set out the background to this complaint in less detail than the parties involved and I've done so in my own words. I want to assure both parties that I've read and considered all the information provided in reaching my decision. I'm not going to respond to

every point made by all the parties. No discourtesy is intended by my approach. I've focused on what I think are the key issues in this complaint.

My approach is in line with the informal nature of this service as a free alternative to the courts and the rules we operate under. If I haven't mentioned something it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every argument made to be able to reach what I think is the fairest outcome.

Mr G has told us he thought the second payment holiday had been approved. But HSBC carried out an assessment of his circumstances and, based on the information Mr G provided, found his outgoings were greater than his income. That indicated to HSBC that Mr G's financial difficulties were longer term in nature and needed a different kind of support.

I appreciate Mr G's circumstances may've been largely the same as when he applied for the first payment holiday. But as Mr G was asking HSBC for continued support, I'm satisfied it was reasonable for it to ask questions about his circumstances before offering further assistance. I'm sorry to disappoint Mr G but I haven't been persuaded HSBC acted unfairly when it declined his second payment holiday request.

HSBC wasn't updated with Mr G's new address when he moved. So he didn't receive arrears letters and the default notices. Mr G has told us he asked HSBC to correspond with him by email. But HSBC has to send certain correspondence, like the default notice and termination letters, by post. That's why the loans terms and conditions required addresses to be kept up to date. So whilst I understand Mr G didn't receive all HSBC's letters, I haven't found it acted unfairly.

Mr G has pointed out he paid £500 into his account. But the payment was received after his loans had already closed by that point. I'm very sorry to disappoint Mr G but I'm satisfied the information HSBC received showed he wasn't in a position to maintain the normal payments and repay the arrears. So I'm satisfied it was reasonable to close the loan accounts and record defaults.

HSBC has agreed to backdate the defaults to September 2020 which means the six year reporting period will end sooner. HSBC has also agreed to pay Mr G £100 to reflect confusing information provided by some of its call handlers and the inconvenience caused. I'm satisfied that is a fair way to resolve Mr G's complaint so I'm going to proceed on that basis.

My final decision

My decision is that I uphold Mr G's complaint and direct HSBC UK Bank Plc to backdate the loan defaults to September 2020 and pay him £100 for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 26 October 2022.

Marco Manente
Ombudsman