

## The complaint

B, a limited company, complains that HSBC UK Bank Plc cancelled direct debits on its account and didn't reinstate one for the loan resulting in arrears.

## What happened

HSBC says that B applied for 'breathing space' on loan repayments. And that HSBC cancelled the direct debits as a result. As it couldn't find a call confirming B was told this it paid it £50 in compensation. In error it didn't reinstate the loan direct debit leading to arrears. It paid B £500 to reflect this. Now that the complaint has been referred to this service it had recognised that it didn't compensate B for the other direct debits that were cancelled. It has offered a further £150 in compensation making a total of £700. It has confirmed that the credit record for B will be amended.

Our investigator didn't recommend that HSBC do anything more than it has now offered to. She said that the monthly loan payment was £540.52 of which £123.86 was interest. The direct debit wasn't taken in August and September 2021 and in October 2021 B made a manual payment. Those missed payments weren't the fault of B although it was still fairly liable to pay them now. She thought that B's credit record should be corrected provided it did so and that the compensation was fair.

B didn't agree. It said that it had never asked for a breathing space. And that it would transfer money from another business to cover payments as they fell due. It still wants the arrears of the loan cleared by HSBC to reflect the additional interest. And it doesn't think that the compensation is sufficient to reflect the inconvenience. It didn't receive any letter about the compensation saying that it just appeared in its account.

## *my provisional decision*

I issued a provisional decision about this complaint on 18 May 2022. I set out below what I said.

I'd asked through our investigator for some more information about the current position on the loan. And what amendments had been made to the credit history. HSBC provided an up to date statement and details of the arrears. It confirmed that there was no interest applied to the arrears or arrears fees. The record of missed payments had been removed up to January 2022. Its collections team had reached a 'stalemate' with B and no further payments had been made. So missed payments would be showing again from February 2022.

I noted from B's statements that the loan payment due on 13 July 2021 was returned unpaid because there were insufficient funds in the current account. HSBC wrote to B on 16 July 2021 and said that it would try and collect the money again 14 days after the original payment due date. On 20 July 2021 HSBC wrote to B to say that it was going to be giving it breathing space on its loan and that it wouldn't be contacting it for 60 days about payments. The letter set out that any payments it did make would go to the loan, but that B should also make sure it could pay its priority bills.

It doesn't have a call recording of any discussion with B about this. But it says that as part of that discussion B would be told that the direct debit would be cancelled. I found it unclear why other direct debit mandates would be cancelled. But those relating to important payments including a utility bill for B were cancelled. And B has explained the inconvenience caused.

B complained and on 6 August 2021 HSBC told it that all direct debits and standing orders had been reinstated. And it paid B £50 in compensation.

The loan repayments due in August and September 2021 weren't taken by direct debit. B realised and arranged to make a payment for October 2021 manually. It complained and on 20 October 2021 HSBC issued a final response accepting the error and arranging for £500 compensation to reflect the interest on the missed payments and compensation for the inconvenience. It told B that it still remained liable for the capital element of those repayments. I could see that the credit was made that day.

HSBC has now offered a further £150 to compensate B specifically for the inconvenience caused as a result of direct debits to third parties being cancelled. B's credit record has been amended as set out above.

B doesn't think that the compensation is sufficient and that it should pay the arrears as it understands that it will be charged extra interest on the loan.

I noted that the loan was nine payments in arrears: no further payments have been applied since the manual payment in October 2021.

#### *my assessment*

B was caused inconvenience when important direct debits were cancelled. Not all regular payments from the account had been cancelled. And I couldn't see how this should arise from providing breathing space on the loan. It was clearly something B didn't expect as it immediately complained. And HSBC can't evidence that this is something B agreed to. I noted reference to a specific issue with three different third-party payees was made. B had to deal with the inconvenience and reputational impact. Although HSBC has now offered to pay £150 to compensate B for this I considered that the appropriate compensation for this element is £300.

The loan direct debit was cancelled too. Frankly B hadn't paid the amount due in July 2021 as the direct debit had been returned. And even it hadn't been aware that the direct debit was cancelled there were insufficient funds to take that payment on a second attempt at the end of July 2021 when B was over the limit for its account and standing order payments were being returned unpaid. But I accepted that this was overtaken by other issues with the direct debit.

The loan is a fixed sum one. At the outset the interest due over the term and so the monthly fixed repayment was established. As our investigator says there were 60 monthly payments of £540.52 and average interest per month included was £123.86. The loan statement shows the full initial capital sum including all interest over the loan term. HSBC has confirmed that no additional interest will be added as a result of the missed payments. But as set out above there are nine payments in arrears.

I understood that B was in dispute over making the three specific payments for July, August and September 2021 as a result of its complaint and didn't think it should pay these. I said I would come to that. But I didn't see any similar reason why it wouldn't think it needed to continue the further payments. And HSBC removed any reporting of missed payments up to

January 2022. B has been paid £550 to date to reflect the issue with the loan direct debit. I found that to be reasonable and I didn't see any basis for HSBC to cover all or any part of these arrears. B has said it had money from a separate source to make payments as they fell due. I thought HSBC was entitled to expect it to do so even during the period when a complaint had been referred to this service. And that's especially as B's position always seems to have been that it didn't need any breathing space for the loan.

I didn't see a basis to require HSBC to amend the credit record further but in response to this provisional decision I said it might want to say whether it does intend to do anything else as a goodwill gesture once the outcome of this complaint is finalised. It will fairly be a matter for B to contact HSBC about repayment including of the arrears.

In summary I considered that HSBC should pay B a further £300 for the reasons I'd explained. I appreciated that the representatives of B will be disappointed by my provisional findings.

### **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.

HSBC said it accepted my provisional decision and didn't make any other comments including about any further alterations to credit record reporting for B.

B said it had agreed a breathing space to get the business running as it traded internationally. HSBC was still contacting it about not keeping up with repayments. But when B speaks to HSBC it realises there are notes about this.

I have looked carefully at what B said in response. And it didn't really state whether or not it accepted my resolution. I consider it's had a reasonable time to review this and I don't see a basis to depart from my provisional findings. As I've said it will need to discuss repayment of the borrowing with HSBC.

### **My final decision**

My decision is that I uphold this complaint in part, and I require HSBC UK Bank Plc to pay B a further £300 making a total of £850.

Under the rules of the Financial Ombudsman Service, I'm required to ask B to accept or reject my decision before 22 July 2022.

Michael Crewe  
**Ombudsman**