

The complaint

Mrs C is unhappy that HSBC UK Bank Plc reported a default incorrectly to her credit file.

What happened

In September 2021, HSBC defaulted Mrs C's loan account and reported it to her credit file. At that time Mrs C was attempting to obtain a mortgage to purchase a house, but the mortgage lender withdrew the mortgage because of the appearance of the HSBC default on Mrs C's credit file. Mrs C wasn't happy about what had happened, and felt that HSBC should have defaulted her account significantly prior to when they did, so that the default showed as being over a year old in September 2021, which would have been acceptable to the mortgage provider. So, she raised a complaint.

HSBC looked at Mrs C's complaint. They acknowledged that they should have defaulted the account no more than six months after Mrs C entered into a debt-management plan in January 2020, and they apologised to Mrs C for this and agreed to backdate the default to July 2020. HSBC made a payment of £50 to Mrs C as compensation for any trouble and upset she may have experienced.

Mrs C wasn't satisfied with HSBC's response, especially as the default remained incorrectly dated on her credit file and given that she'd lost the opportunity to purchase the house she wanted. So, she referred her complaint to this service.

One of our investigators looked at this complaint. They felt that the £50 award of compensation already made by HSBC didn't fairly reflect the impact of what had happened here, and they recommended that HSBC should ensure that the default was backdated correctly as a matter of urgency and increase the total compensation amount payable to Mrs C to £750.

Mrs C remained dissatisfied, so the matter was escalated to an ombudsman for a final 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 issued a provisional decision on this complaint on 5 October 2022 as follows:

HSBC have acknowledged that the default should have been reported to Mrs C's credit file significantly sooner than was the case, and they've agreed to backdate the default to July 2020 as a result. And HSBC have also accepted our investigator's recommendation to pay compensation totalling £750 to Mrs C for the trouble and upset that this matter had caused.

I'm aware that Mrs C remains unhappy with this resolution, and that she feels that she's incurred financial losses as a result of not being able to move forwards with the

mortgage offer that was agreed in principle but which couldn't be progressed because of the appearance of the HSBC reported default on her credit file. And I'm also aware that Mrs C feels that the upset that this matter has caused her, including the effect on her close personal relationships, is significant and isn't fairly resolved by a payment of £750.

When considering whether a consumer has incurred financial losses because of a mortgage offer being withdrawn, an immediate question that presents itself is what was the mortgage offer that was withdrawn? But in this instance, I don't feel that this service has been provided with enough information about the details of the mortgage offer that had been agreed on a decision-in-principle basis. For instance, this service has asked for a copy of the decision in principle on several occasions, but so far this hasn't been provided to us.

In the absence of this information I find it very difficult to consider instructing HSBC to cover Mrs C's claimed financial losses as she would like here. There are several reasons for this, including that it seems possible that the decision-in-principle was agreed before the default was reported to Mrs C's credit file by HSBC, meaning that the default wasn't present at all on Mrs C's credit file when the agreement-in-principle was reached. As such, without more detailed information from the mortgage lender directly, I presently find it very difficult to conclude that a similar agreement-in-principle would definitely have been offered had the default been present on Mrs C's credit file from the correct date.

Similarly, while I acknowledge and sympathise with Mrs C in regard to the difficult personal circumstances that she's had to deal with following this issue, I hope that Mrs C will understand that it's difficult for me to say with any reasonable confidence that what's happened can be solely attributed to the incorrect reporting of the default by HSBC. That isn't to say that the issue of the default hasn't been a contributing factor to the difficult personal circumstances that Mrs C has encountered, but only to say that I find it difficult to reasonably state that it was the only or primary factor, such that HSBC should fairly be held accountable.

What is clear is that Mrs C has incurred a significant amount of upset and inconvenience in regard to her attempts to resolve the events under consideration here, including that Mrs C had to chase HSBC for a resolution on multiple occasions as demonstrated by the correspondence provided to this service by both her and HSBC.

But HSBC have already agreed to our investigators recommendation to pay compensation totalling £750 to Mrs C because of the trouble and upset that she's incurred here. And while I accept that matters of compensation can be subjective, I feel that this amount does represent a fair and reasonable compensation amount for the distress and inconvenience incurred by Mrs C which I feel can be unquestionably attributed to HSBC. And I can confirm that this amount is commensurate with what I would have instructed HSBC to pay, had they not already done so.

All of which means that I'll be provisionally upholding this complaint in Mrs C's favour, but only on the basis that HSBC must make pay compensation to Mrs C totalling £750 – which it's my understanding that HSBC have already done.

I issue this decision provisionally because I acknowledge that Mrs C has experienced a very difficult time personally in recent months and so as to allow her one final opportunity to provide more detailed information about the mortgage offer-in-principle that was later withdrawn - although I must caution Mrs C that the provision of this

more detailed information from the mortgage provider may not necessarily mean that I will change my decision here, for the reasons explained previously in this letter. I also invite both Mrs C and HSBC to provide any other comments or new information they might wish me to consider before I move to issue a final decision.

In response to my provisional decision, Mrs C did provide a copy of the decision-in-principle letter received from the mortgage provider. But this letter only provides a very broad confirmation that the mortgage provider agrees in principle to lend a set amount to Mrs C, and it doesn't include any more detailed information about the mortgage that Mrs C might have obtained, including that it doesn't confirm what interest rate the mortgage may have attracted, or the term over which the money may have been lent.

Additionally, the decision-in-principle letter lists several factors that may affect any full mortgage application that Mrs C may subsequently make, including various checks and verifications on Mrs C and her financial position that hadn't been undertaken at that time. And the decision-in-principle letter also makes it clear that the letter doesn't constitute an offer to lend and isn't a binding commitment, both of which would only take place after Mrs C has applied for and received a full mortgage offer.

Returning then to the question I posed in the provisional decision letter above, which was 'what was the mortgage offer that was withdrawn', I don't feel that the decision-in-principle letter provides a sufficiently detailed explanation such that any potential losses could be calculated. Instead, I feel that it only confirms there was a very general acknowledgement that the mortgage provider would be willing to lend to Mrs C so long as a series of checks and verifications that hadn't yet been completed were completed satisfactorily.

I realise that this won't be the outcome that Mrs C was wanting, but it follows from this that I won't be instructing HSBC to cover any losses that Mrs C feels that she's incurred as a result of the decision-in-principle offer being withdrawn.

This is because, even in consideration of this further information, I don't feel that it can fairly or reasonably be said that HSBC incorrectly reporting the default as they did was the primary or sole factor for Mrs C not obtaining the mortgage she wanted. Instead, I feel there were a number of other variables that could have led to Mrs C not obtaining a mortgage here, including that there was no guarantee that any full mortgage application that Mrs C made would have been successful, and that there was no guarantee that Mrs C would have been offered a mortgage at a rate that was affordable for her.

I also feel it must be recognised that Mrs C obtained the decision-in-principle at a time when the default in question wasn't reported to her credit file at all, and given that it should have been the case that a default was present on Mrs C's credit file – albeit at an earlier date than at which it was later incorrectly added – I don't feel that there is any guarantee that Mrs C would have received a similar offer from the mortgage provider to that which they were potentially willing to provide when no default was present.

All of which means that while my final decision here will be that I will be upholding this complaint in Mrs C's favour, I'll only be doing so on the basis outlined in my provisional decision, which is that HSBC must make pay compensation to Mrs C totalling £750 – which it's my understanding HSBC have already done. I hope Mrs C will understand, given everything that I've explained, why I've made the final decision that I have.

Putting things right

If they haven't already done so, HSBC must make a payment to Mrs C of £750.

My final decision

My final decision is that I uphold this complaint against HSBC UK Bank Plc on the basis explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 1 December 2022.

Paul Cooper
Ombudsman