

The complaint

Mrs E complains that HSBC UK Bank Plc failed to explain the implications of a loan payment holiday on her credit file.

What happened

Mrs E says she agreed a loan repayment holiday with HSBC for December 2021 and January 2022. She says HSBC didn't explain the implications of the payment holiday on her credit file and the adverse information it reported has affected a mortgage application. Mrs E says HSBC initially told her it made a mistake but later said it correctly reported the information to the Credit Reference Agencies (CRA's). She would like the adverse information removed from her credit file.

HSBC says Mrs E spoke to it on 18 October 2021 about a payment break due to her change of job. It says it explained that the arrears would be reported to the CRA's and the payment break reported as an "arrangement". HSBC accepts it gave incorrect information initially to Mrs E but says it correctly reported the arrangement and subsequent arrears until they were cleared. It also told Mrs E to speak to her mortgage advisor about any impact on a new mortgage application.

Mrs E brought her complaint to us and our investigator didn't uphold it. The investigator listened to the call in October 2021 and thought HSBC told Mrs E that it would report the arrangement on her credit file. The investigator also thought Mrs E had missed the November 2021 payment as well which was outside the agreement. And thought HSBC had written to Mrs E telling her the CRA's would be told about the arrangement which could affect future borrowing.

Mrs E doesn't accept that view and has submitted call recordings and documents. In summary she says HSBC cancelled the November payment and says she offered to clear the arrears in early 2022 but HSBC insisted on further income/expenditure calculations. Mrs E says her mortgage application was affected and now pays a higher interest rate. She would like just under £7,000 compensation for what has taken place and says HSBC reported arrears on her credit file until April 2022. Mrs E now accepts that she was told in October 2021 that the arrangement would affect her credit file.

My provisional decision

I issued a provisional decision on this complaint and said that I thought HSBC had incorrectly reported the November 2021 payment as being missed in circumstances where I couldn't see any evidence Mrs E cancelled the payment. My provisional view was that HSBC correctly advised Mrs E during the October 2021 telephone call that her credit file would be affected by the agreement, and a provisional view allowed both sides to comment further on the events of early 2022. I made clear to Mrs E that I didn't consider compensation was justified here for the reasons I would explain and didn't think it would make any real difference to a lending decision by having three months of adverse information on a credit file compared to two months. I said any lender is likely to consider that for a short period be it three or two months that Mrs E experienced short-term financial difficulties.

I listened carefully to the first telephone call between the parties on 18 October 2021. I was satisfied Mrs E was told by HSBC that the arrears would need repaying and that the arrangement would be reported to the CRA's. I was also satisfied Mrs E was correctly told to speak to her mortgage advisor about the impact on any future mortgage applications and was also told there would be nothing stopping her paying back the arrears (which would build up) at any stage. I could see Mrs E now accepts she was told there would be an impact on her credit file and I made it clear that I was satisfied that HSBC didn't mislead Mrs E or provide her with incorrect information. I thought it ought to have been reasonably clear from that telephone call that although payments would not be taken by HSBC that Mrs E's credit file would be affected and that the arrears would need repaying. And that those arrears would continue to be reported on a credit file until cleared. I also thought that HSBC confirmed that information in a letter to Mrs E in October 2021.

I didn't think HSBC had explained why the November 2021 payment wasn't taken. I was satisfied that the arrangement was for the December 2021 and January 2022 payments. I thought provisionally that HSBC may have made a mistake by cancelling the request for the November 2021 payment and for that reason I thought the fairest approach would be for that adverse information to be removed from Mrs E's credit file. I said I hope both sides provide further information about that part of the complaint before my final decision.

I appreciated that Mrs E says she was told to ignore some of the letters she was sent. I didn't think that had any real impact on this complaint as the second part of the complaint is about the reporting of the arrears until April 2022 and if Mrs E should have been allowed to have paid back those arrears before she did so. I didn't think HSBC had provided all of its records and call recordings on this issue to us. But I made clear that Mrs E didn't complain about those issues to HSBC and her complaint was about incorrect information in the October 2021 telephone call. I said I hope HSBC will provide that information and I thought it linked to the initial complaint in any event. I confirmed I had listened to the recordings provided by Mrs E.

I appreciated Mrs E had provided copies of telephone recordings between her and HSBC and said she ought to have been told that she could have cleared the arrears by the "promise to pay option". But I thought HSBC had a duty to ensure such an option was affordable in the light of Mrs E asking for a payment break some months before, as her financial position had changed. I thought such an approach by HSBC was fair and appropriate and that it was reasonably entitled to carry out further affordability checks. I could also see that Mrs E repaid the arrears in April and May 2022 which suggested her financial position had sufficiently improved by that stage to allow her over a month period to repay the arrears.

I also appreciated that Mrs E says HSBC didn't make clear that it would continue to report adverse information to the CRA's after the arrangement had ended. But I was satisfied HSBC did tell Mrs E during the first call that "arrears will build up" and that she ought reasonably to have realised that, as it would take some time after the arrangement ended for the arrears to be repaid. And that fact would have to be reflected on her credit file.

In any event I didn't think it likely that three months of adverse information compared to two months information about missed payments, which were eventually repaid, was likely to have had a significant impact on Mrs E's credit file. I said that as any would be lender would have seen that payments had resumed following a payment break and would know that inevitably an account would have arrears as a result. I thought it more likely that it was the two-month arrangement itself or payment break that impacted Mrs E's credit file but that was something she agreed to and was made aware of.

Overall, my provisional view was that HSBC correctly reported the arrangement and later arrears to the CRA's and correctly told Mrs E it would do so. And based on the information I had seen I thought HSBC may have made a mistake by not taking the November 2021 payment and should remove any adverse information about it from Mrs E's credit file. I appreciated Mrs E raised other issues such as the impact on her husband or HSBC not speaking to him. But I said I had concentrated on what I considered were the main issues and complaints and said I didn't intend to comment on every issue raised. I said that I didn't consider that compensation was justified here and couldn't fairly hold HSBC responsible for the higher interest rate mortgage Mrs E took out. I didn't think it likely the reporting of a missed payment in November 2021 had any real impact on a mortgage application when there was an agreed arrangement in place for two months.

HSBC has replied to my provisional decision and will remove the November 2021 adverse information from Mrs E's credit file. It hasn't provided any further information but says Mrs E was told about the credit file impact.

Mrs E maintains she was not in arrears and HSBC didn't tell her how to repay the money or tell her the account would be reported as in arrears.

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.

Having done so I have come to the same overall view that I reached in my provisional view and for the same reasons. I accept Mrs E will have some unanswered questions and will be disappointed by my decision. But I'm satisfied for the reasons I have explained that Mrs E was told before the arrangement that there would be an impact on her credit file and that the arrears would require repayment. I'm satisfied that the payment break meant there were arrears.

Putting things right

HSBC has agreed to remove the November 2021 adverse information from Mrs E's credit file.

My final decision

My final decision is that I uphold this complaint in part and order HSBC UK Bank Plc to remove the November 2021 adverse payment information from Mrs E's credit file as agreed.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs E to accept or reject my decision before 25 February 2023.

David Singh
Ombudsman