

The complaint

Mrs C and Mr P are unhappy with HSBC UK Bank Plc's (HSBC) reporting to credit reference agencies (CRAs) in relation to their mortgage.

What happened

Mrs C and Mr P held a repayment mortgage with HSBC, originally taken out in 2020. The mortgage was made up of two sub-accounts.

In January 2022, Mrs C contacted HSBC to say that she and Mr P were experiencing financial difficulties stemming from her having been made redundant, due to the impact of the COVID pandemic. Mrs C said that her previous employer had asked her to start work for them later in the year and she and Mr P were expecting some income to start coming in from a holiday let within the next few months. However, in the short term she and Mr P were using credit cards to pay for food and other bills. Mrs C said that they would struggle to make the usual payments on the mortgage.

HSBC offered Mrs C and Mr P a Payment Break for three months to give them breathing space, which Mrs C and Mr P accepted.

In early April 2022, HSBC contacted Mrs C and Mr P to discuss the matter. It was agreed during the call that the arrears that had accrued on the account could be added to the outstanding loan balance (known as capitalisation of arrears), subject to Mrs C and Mr P making three qualifying payments – in April, May and June.

Mrs C and Mr P made these payments and so the capitalisation of the arrears went ahead as planned. HSBC told Mrs C and Mr P that it was going to amend its reporting to CRAs to show June 2022 as being not in arrears, related to the timing of when the capitalisation process could have been completed.

In May 2022, Mrs C and Mr P complained that they had noticed adverse information on their credit files, despite the arrangements that had been agreed. HSBC explained the basis of its CRA reporting. It said that when the capitalisation was completed, the mortgage would no longer be in arrears, but that the historical arrears would still show as an accurate history of the mortgage. HSBC did though pay Mrs C and Mr P £50 for what it said was a lack of clarity about this in the past.

Mrs C and Mr P remained unhappy and referred their concerns to the Financial Ombudsman Service.

An investigator here issued an assessment. In summary, they thought that HSBC had been clear at every stage on what would be reported to CRAs and that HSBC had to report accurate information to CRAs. They said they thought HSBC removing the arrears from June 2022 and paying £50 due to a delay in sending paperwork, was fair and reasonable.

Mrs C and Mr P disagreed with some aspects of the assessment. In summary, they said that what HSBC put in writing about CRA reporting was unclear and hadn't gone into enough

detail about what would happen. They said that if they'd been made aware of the true situation regarding CRA reporting, they would've looked for another solution for their financial situation.

They also pointed out that the £50 compensation wasn't anything to do with delayed paperwork but was in relation to their original complaint in May – and that HSBC had acknowledged there had been a lack of clarity. They also said that the removal of June arrears had only been done on one of their mortgage sub-accounts.

The investigator still didn't think HSBC needed to do anything further.

Mrs C and Mr P remained unhappy and asked for the matter to be escalated to an Ombudsman. The investigator gave both parties another opportunity to provide any further comments. HSBC replied to say that it didn't think it should have told Mrs C and Mr P that it would remove the June arrears, because June was the month of the third qualifying payment and there hadn't been any delay to the paperwork.

The case was passed to me to decide. After reviewing the file, I asked the investigator to request some further information from HSBC about the options available to Mrs C and Mr P when they first contacted HSBC about the difficulties they were facing, including whether a Payment Holiday would have been an option. I also shared some provisional thoughts with HSBC about the complaint. In summary, these were that:

- It seemed odd that HSBC wasn't reporting Mrs C and Mr P as having been in an arrangement April to June when they were making the qualifying payments in order to capitalise. This was an arrangement in the everyday meaning in that it was something Mrs C and Mr P had agreed with HSBC in relation to addressing their arrears situation.
- Given that HSBC had told Mrs C and Mr P it would remove the June arrears, it should consider doing this for both of the mortgage sub-accounts.

HSBC replied to say that a Payment Holiday had never been an option and so it was correct for it to have offered Mrs C and Mr P a Payment Break. Regarding the arrangement reporting, it said it didn't think this made much of a difference to how other lenders would view Mrs C and Mr P's credit file and that it wasn't required under relevant guidance, including its own policy, to show Mrs C and Mr P as having been under an arrangement whilst making the qualifying payments April to June.

In relation to the June arrears, it said that it should never have said it was going to remove the June arrears, because that wasn't correct. It said it could either update the 'incorrect' account reporting to show the relevant arrears and pay some compensation, "duplicate the error" by showing the other account as no arrears in June, or do nothing.

I shared some further provisional thoughts with HSBC. In summary, I said I was still minded to say that April to June should show as an arrangement. In terms of the June reporting, ultimately HSBC needed to report accurate information to CRAs. But insofar as it had told Mrs C and Mr P that it was going to remove the June arrears, only then did this for one of the mortgage sub-accounts and never corrected Mrs C and Mr P's understanding about what was going to happen, HSBC should pay Mrs C and Mr P an additional £100 to reflect this.

I asked the investigator to provide Mrs C and Mr P with a summary of the correspondence with HSBC that they weren't aware of, to give them the opportunity to provide any further submissions.

Mrs C and Mr P replied to say they had nothing further to add.

HSBC replied saying it still didn't agree that it was necessary for April to June to be reported as an arrangement. It re-iterated this wasn't required under ICO guidance and its own policy and that it would be unreasonable to change how it reported this for Mrs C and Mr P, compared to other customers in a similar situation.

It also said that it didn't think it needed to pay any compensation for the June arrears issue, saying that Mrs C and Mr P had already benefited from one of the sub-accounts showing no arrears for June, when this was incorrect.

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 uphold this complaint in part. I don't uphold Mrs C and Mr P's complaint about the clarity of HSBC's communications to do with CRA reporting, at and from the point it agreed to a Payment Break in January 2022 and then the capitalisation plan (with qualifying payments) in April 2022. I also can't see that HSBC has made any errors in terms of arrears reporting to CRAs during the period (with the exception of the issue to do with June 2022 – which I will cover later).

However, I don't think HSBC has treated Mrs C and Mr P fairly in relation to certain aspects of its CRA reporting.

Before I explain why, I want to set out my role as an Ombudsman. It isn't to address every single point that's been made to date. Instead, it's to decide what's fair and reasonable given the circumstances of this complaint. And for that reason, I'm only going to refer to what I think are the most salient points when I set out my conclusions and my reasons for reaching them. But, having read all of the submissions from both sides in full, I will continue to keep in mind all of the points that have been made, insofar as they relate to this complaint, when doing that.

There are three issues that I need to consider:

- Did HSBC give Mrs C and Mr P clear enough information about the impact of the Payment Break and subsequent arrangements on their mortgage?
- Is it fair for HSBC to have continued to report arrears to CRAs after the capitalisation of arrears in July 2022 (and has it otherwise reported accurately)?
- Has HSBC treated Mrs C and Mr P fairly in relation to other elements of the CRA reporting?

I'll deal with each of these in turn.

Did HSBC give Mrs C and Mr P clear enough information about the impact of the Payment Break and subsequent arrangements on their mortgage?

If I were to find that HSBC didn't give Mrs C and Mr P clear enough information about the impact of the Payment Break and subsequent arrangements, I would need to go on to think about what impact this had. In other words, had Mrs C and Mr P been given clearer information, would this have made a difference to what happened with their mortgage.

It's clear Mrs C and Mr P feel strongly that HSBC didn't go into enough detail about the potential impact of them not making full repayments on their mortgage for a period of time. In

the course of bringing their complaint, they have quoted parts of the letters they received from HSBC from the point at which the Payment Break was agreed, explaining what they thought certain wording meant. They also point out that, when responding to their initial complaint, HSBC offered them £50 in recognition of not being clearer.

HSBC says that it gave Mrs C and Mr P clear enough information about the potential impact of what it had agreed with them, on their credit files.

While I appreciate how strongly Mrs C and Mr P feel about this issue and also see the point they make about HSBC having apologised and paid £50 for a lack of clarity, I consider that HSBC was clear about the consequences (in terms of CRA reporting) of it agreeing the Payment Break and capitalisation plan, both when speaking to Mrs C over the telephone and in the associated correspondence.

As well as Mrs C and Mr P explaining what they took certain wording in correspondence to mean, the crux of their concerns around clarity is that HSBC didn't go into enough detail about what might happen to their credit file and the impact this might have, in certain circumstances. However, I find that what was communicated was sufficiently clear and it would be difficult and potentially confusing for a customer if a lender such as HSBC was to try to provide information up front to cover lots of potential scenarios and circumstances.

I said earlier that if I were to conclude that HSBC could have and needed to be clearer in what it told Mrs C and Mr P, I would need to then go on to consider the extent to which this made a difference to what happened. Given my finding that the information HSBC provided was clear enough, I don't need to do this. However, for completeness I would add that given the circumstances Mrs C described when contacting HSBC in January 2022, I can't see that she and Mr P had any realistic alternatives.

Is it fair for HSBC to have continued to report arrears to CRAs after the capitalisation of arrears in July 2022 (and had it otherwise reported accurately)?

Regarding arrears reporting (June 2022 aside, which I will cover separately later), there is nothing unfair about HSBC continuing to report the arrears that accrued on the account, before they were capitalised. HSBC is required to report accurate information to CRAs. The fact that the arrears were capitalised in July 2022 doesn't take away from the fact they accrued before that point. So I can't reasonably say that HSBC has made any error or treated Mrs C and Mr P unfairly by reporting in the way that it has.

Has HSBC treated Mrs C and Mr P fairly in relation to other aspects of CRA reporting?

There are two issues here:

- Is it fair for HSBC to report Mrs C and Mr P as not having been in an arrangement, when they agreed to make the qualifying payments April to June 2022, ahead of capitalising the arrears?
- Has HSBC treated Mrs C and Mr P fairly in relation to the issue of the June 2022 reporting?

I've taken account of what HSBC has said that in not reporting an arrangement it is following relevant ICO guidance and its own policy on CRA reporting. And that it wouldn't be fair to amend the reporting for Mrs C and Mr P when this would then be different to how it reports for other customers in similar circumstances.

However, this hasn't changed my mind. On my reading of the relevant ICO guidance, whilst

it's true that it doesn't specify that a lender must show customers in Mrs C and Mr P's circumstances as having been in an arrangement, equally it doesn't say they can't or shouldn't.

In terms of the other point HSBC has raised, I can't comment on what HSBC does for other customers. However, in this particular case I'm satisfied that Mrs C and Mr P *were* in an arrangement with HSBC whilst making the qualifying payments in the lead up to the capitalisation of arrears. As such, that should be fairly reflected in reporting to CRAs.

In terms of the June 2022 reporting, HSCB says that no compensation is due because Mrs C and Mr P have benefited from one of their sub-accounts showing as not being in arrears in June 2022, when this shouldn't have been the case.

I disagree. I have previously set out that my understanding is HSBC told Mrs C and Mr P that it was going to remove the June arrears and that it didn't subsequently correct their understanding of what was going to happen, despite apparently changing its mind. HSBC hasn't said anything to suggest my understanding of what happened is incorrect.

This represents poor communication and customer service. Mrs C and Mr P were expecting the arrears to be removed from both mortgage sub-accounts. That this didn't happen and that HSBC doesn't appear to have communicated anything to Mrs C and Mr P about this, has caused unnecessary distress and inconvenience that could and should have been avoided. It's possible that the one sub-account showing no arrears in June 2022 when it shouldn't have has benefitted Mrs C and Mr P in some way. But this is only a possibility and the extent of any benefit is unknown. Taking everything into account, I still find that HSBC should pay Mrs C and Mr P an additional £100 to reflect this.

Putting things right

To put things right, HSBC must do the following:

- Amend its CRA reporting to show Mrs C and Mr P as having been in an arrangement April to June 2022.
- Pay Mrs C and Mr P an additional £100 in compensation.

My final decision

My final decision is that I uphold Mrs C and Mr P's complaint in part and I direct HSBC UK Bank Plc to do what I've set out above under 'Putting things right'.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C and Mr P to accept or reject my decision before 19 May 2023.

Ben Brewer
Ombudsman