

The complaint

Mr M is unhappy that HSBC UK Bank Plc didn't do more to help him with his personal loan when he explained that he was in financial difficulty.

What happened

Mr M obtained a personal loan from HSBC in May 2023 and received the loan funds that same month. Mr M fell into financial difficulty and didn't make the May 2024 loan payment he was contractually required to make, which meant the loan fell into arrears.

On 3 June 2024, Mr M spoke with HSBC and explained that he was experiencing challenging personal and financial circumstances which meant that he was unlikely to be able to make the scheduled loan payments for several months.

HSBC conducted an income and expenditure assessment with Mr M which confirmed that Mr M's income at that time was less than his required expenditure. HSBC therefore accepted that Mr M couldn't afford to make the loan payments and offered to apply a six-month 'Long Term No Affordability' ("LTNA") marker on his account. This marker meant that Mr M wouldn't be chased for missed payments for six months, but that arrears would continue to accrue on his account and that HSBC would still follow their usual loan arrears process.

Mr M agreed to the LTNA marker being placed on his account, but later discovered that HSBC had defaulted his loan for non-payment before the six-month term of the plan had expired. Mr M wasn't happy about this, so he raised a complaint.

HSBC responded to Mr M but didn't feel they'd done anything wrong in how they'd administered his loan, including applying the LTNA marker and then defaulting the account. Mr M didn't agree, so he referred his complaint to this service.

One of our investigators looked at this complaint. But they didn't feel that HSBC had acted unfairly towards Mr M as he claimed and so didn't uphold the complaint. Mr M 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 18 March 2025 as follows:

When Mr M called HSBC and explained his personal and financial circumstances to them, including that he most likely wouldn't be able to pay his contractually required loan payments for some time, HSBC offered to apply an LTNA marker to Mr M's loan for six months, during which time Mr M wouldn't be expected to make any loan payments.

HSBC's offer to apply the LTNA marker to Mr M's loan account seems fair and reasonable to me. But having listened to the telephone calls between Mr M and HSBC when the LTNA

marker was discussed, I don't feel that HSBC made it clear to Mr M that his loan would most likely be defaulted if he didn't make any payments over the next few months. And I feel that this should have happened and that Mr M did incur a degree of upset and frustration because it didn't.

However, given the challenging personal and financial circumstances that Mr M described to HSBC, I don't feel that Mr M would have been able to avoid the defaulting of his loan account, even if HSBC had ensured that he understood that this would most likely take place. And because of this, while I feel that Mr M should be compensated by HSBC for their poor standard of communication and the impact that it had on him, I don't feel that HSBC should be instructed to rescind the default and reinstate the loan – because I feel that the default would have taken place regardless as to whether HSBC were clearer in their communication or not.

When Mr M spoke with HSBC on 3 June 2024, he explained that he was in a difficult personal and financial situation and wouldn't be able to make payments towards his loan for several months. HSBC conducted an income and expenditure assessment that confirmed that Mr M had less income than expenditure, and because of this HSBC accepted that Mr M couldn't afford to make his loan payments at that time.

HSBC therefore offered a six-month LTNA plan to Mr M. This plan wouldn't affect the arrears position of Mr M's account, meaning that while Mr M wasn't expected to make payments, and wouldn't be chased for missed payments, any scheduled loan payments that he didn't make would be considered as being missed. And this meant that while HSBC wouldn't chase Mr M for not making payments, they would consider his loan to fall further into arrears if he didn't make the scheduled payments.

Furthermore, the LTNA plan also didn't affect the loan arrears process that HSBC would take. It's my understanding that HSBC generally strive to adhere to guidance issued by the Information Commissioner's Office ("ICO") which states that an account should be defaulted after it has fallen three months into arrears but before it falls six months into arrears. And because Mr M's loan was already in arrears when the LTNA plan began, and because the plan was six-months in length, it follows that if Mr M didn't make any loan payments during the six-month duration of the plan, that HSBC would most likely move to default his loan before the six-month term of the plan ended.

I feel that this point – that Mr M's acceptance of the plan and adherence to it would most likely result in his loan being defaulted by HSBC before the plan ended – should have been clearly explained to Mr M, and that HSBC should have ensured that Mr M clearly understood this point. But, upon review, I don't feel that HSBC did this.

HSBC may point out that their agent told Mr M about the consequences of the LTNA plan, including that they read out a disclosure to Mr M that explained as follows:

"You cannot continue to make monthly payments. Your circumstances are not expected to change for the next six months. For Long Term No Affordability for six months, arrears will build as the full monthly payment will not be met. These arrears will continue to be reported to the credit reference agencies, and this may impact your ability to get future credit. Charges and interest are suspended on all accounts held with us until your account had defaulted or has been brought up to date for sixty days. You will receive a confirmation of the agreement and you will continue to receive regulatory letters.

We are required to send you the following notices to inform you of the position of your account. We have discussed that you cannot make your monthly payment. This

means that you should expect to receive a default notice. A default notice will ask for repayment of the arrears. If the payment hasn't been made you should expect a final demand. The final demand we'll ask for repayment of the total balance. If you are not in a position to make the payment a default will remain visible in your credit file for six years, your account will be closed and you will receive a closing statement and a letter from our repayment services team who will continue to work with you...Do you understand and are you happy for me to apply the arrangement on your account?"

However, it must be noted that Mr M's understanding of English is, by his own admission, not good. And unfortunately, HSBC's agent appears to have been based overseas and had a strong accent and an unusual cadence. Indeed, while I was transcribing the text I've quoted above I found that I often had to pause and replay the recording to understand exactly what HSBC's agent was saying. As such, I accept Mr M's position that, on that call, he didn't fully grasp what HSBC's agent was explaining to him.

I feel that this point is illustrated by the fact that, when HSBC's agent asked Mr M if he understood and if he was happy for the LTNA plan to be applied to his account, he didn't initially answer 'yes', but instead asked HSBC's agent if the LTNA plan was good or bad for him, because he didn't know.

In response, HSBC's agent said that the plan was good for Mr M and highlighted that Mr M wouldn't be required to make any payments for six months. HSBC's agent's response in this regard is dangerously close to advice, and HSBC's agent didn't counter this statement with any explanation of the adverse consequences of accepting the plan that Mr M might encounter, including that if Mr M didn't make payments towards the loan that HSBC would likely default the loan before the plan ended.

In consideration of the above, if I felt that Mr M's personal and financial circumstances were such that he could have afforded to make the loan payments and avoid the defaulting of his loan had he wanted to, I would most likely be upholding this complaint fully in his favour and instructing HSBC to rescind the default.

However, it seems clear from the difficult personal and financial circumstances that Mr M described to HSBC that he wouldn't have been able to afford to make the loan payments and avoid the defaulting of the loan. And because of this, I feel that it was always the case that Mr M's loan would have been defaulted by HSBC, and fairly so – but that what happened is that Mr M wasn't clearly appraised of this fact either when he spoke with HSBC about the LTNA plan or in the plan confirmation letter that he later received from them.

Because of this, I feel that it is a fair outcome that Mr M's loan was defaulted by HSBC, because I feel that this was an outcome that Mr M unfortunately wouldn't have been able to avoid. But I also feel that Mr M did incur a degree of upset and anxiety because HSBC didn't set clear expectations about what would happen to his loan when they spoke with him or in their later confirmatory communication with him. And I can understand how it must have been distressing for Mr M to discover that HSBC had moved to default his loan when he believed incorrectly that that wouldn't be the case.

Accordingly, my provisional decision is that I uphold this complaint in Mr M's favour solely on the basis of the poor standard of communication he received from HSBC and provisionally instruct HSBC to pay £100 to Mr M as compensation for the frustration and confusion he incurred as a result. However, as explained, I don't uphold the primary aspect of Mr M's complaint here, because I feel that the defaulting of Mr M's loan was most likely unavoidable, and therefore doesn't represent an unfair outcome.

Mr M did not provide any response to my provisional decision, whereas HSBC did respond and confirmed their acceptance of it. As such, I see no reason not to issue a final decision here whereby I uphold this complaint on the limited basis described above. And I therefore confirm that my final decision is that I do uphold this complaint on that limited basis accordingly.

Putting things right

HSBC must pay £100 to Mr M.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 1 May 2025.

Paul Cooper
Ombudsman