

The complaint

Ms W complains that HSBC UK Bank plc has wrongly reported mortgage arrears on her credit file.

What happened

Ms W has a mortgage and a homeowner loan with HSBC. Her income was significantly affected as a result of the coronavirus pandemic, so in 2020 she deferred her mortgage payments for six months.

Between February 2021 and October 2022 HSBC agreed a payment break and other payment arrangements with Ms W – under which firstly Ms W paid less than the contractual monthly payments and later, after her financial situation had improved, under which she paid an extra amount each month to reduce the arrears. In September 2022 Ms W repaid the remaining arrears in full.

In September 2024 Ms W made a complaint to HSBC about what it had put on her credit file about her mortgage and loan. She said it had told her that her credit file wouldn't be affected by the arrangements she had come to with it, but that had turned out not to be the case and she was worried about how this would affect her when she applied for a new fixed interest rate product.

HSBC said it had reported the right information to the credit reference agencies it uses. Ms W wasn't happy with that so she referred her complaint to us.

Our Investigator concluded that HSBC hadn't misled Ms W about how the various payment arrangements would be reported on her credit file. He looked at the screenshots Ms W had provided from two credit reference agencies and found that payment arrangements were recorded between February 2021 and January 2022. He also found that no arrangements were recorded between February and August 2022. Instead, only arrears were recorded for those months. He didn't think this was right because during that period in 2022 HSBC had agreed with Ms W that she could repay the arrears by increasing her contractual monthly payments, and she had kept to that arrangement.

The Investigator recommended that HSBC amend Ms W's credit file so that it shows agreed payment arrangements were in place between February 2021 and August 2022, and pay Ms W £200 compensation.

HSBC didn't accept that conclusion. It said in summary that it still thought it had reported correctly to the credit reference agencies, because it had reported arrangements to pay when it had agreed that Ms W could pay less than her contractual monthly payments or not paying anything at all, and then it had reported arrears but no arrangements to pay when it had agreed that she could pay more than her contractual monthly payments in order to repay the arrears.

Ms W initially said that £200 compensation wasn't enough for the time she had spent on this matter and the upset she had been caused. She later said she would accept the

Investigator's recommendation as her core issue is to get her credit file corrected.

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've come to the same overall conclusion as the Investigator, for much the same reasons.

I don't consider that HSBC misled or misinformed Ms W about how her credit file would be affected by the payment break and payment arrangements she agreed with it. The payment deferral she took in 2020 was subject to special arrangements which were put in place to support mortgage borrowers because of the coronavirus pandemic. These special arrangements meant that the payments Ms W didn't make during the six-month payment deferral weren't reported on her credit file as arrears. The information from HSBC's website which Ms W provided when she sent us her complaint relates to how coronavirus payment deferrals would be treated. Those payment deferrals could only be taken for a maximum of six months, which is the length of time Ms W took them for.

So when Ms W asked for further help in 2021, HSBC couldn't offer her a further payment deferral. I've listened to recordings of Ms W's calls with HSBC when first the payment break and then the various payment arrangements were agreed, and I'm satisfied that HSBC made it clear that all of these arrangements would affect her credit file. On the first call on 12 February 2021 HSBC also explained that it couldn't agree a further coronavirus payment deferral because Ms W had already had that for six months. And, around 7 minutes into the call, the adviser said:

"If we put you on a plan today going forward and we ask you not to make payments or we ask you to make reduced payments, any shortfall in payments they will go down as arrears on your account. At the same time it will show up as an arrangement on your credit file."

The adviser then explained that paying less than the contractual monthly payments by arrangement would have less of an adverse impact on Ms W's credit file than missing payments without HSBC's agreement. Ms W and the adviser went through Ms W's income and expenditure and the adviser offered her a payment break for three months, meaning that she wouldn't have to pay anything for that period. At around 47 minutes into the call Ms W said:

"If we make this agreement then it doesn't go into my credit file?"

The adviser said:

"It will show up as an arrangement on your credit file. So for the next three months, any payments that you won't make, they will go down as arrears and will be reported. At the same time on your credit file it will show that you've got an arrangement with HSBC for these missed payments."

Ms W said:

"Yes, go ahead please".

The adviser then repeated that arrears and a payment arrangement would be reported and that this may affect future borrowing.

A payment break was then put in place for three months and letters sent confirming this to Ms W. The letters included the following:

“Just so you know, the missed payments during your payment break will be reported as arrears to credit reference agencies. We also have to tell them that we have entered into an arrangement with you. This could make it more difficult to borrow in the future.”

When the payment break ended, HSBC agreed further concessions for the rest of 2021, whereby it accepted payments of less than the contractual monthly amounts. Ms W and HSBC discussed all these arrangements and HSBC confirmed them by letter. The discussions and letters reflected what HSBC had told Ms W in February about the impact of these arrangements on her credit file.

I'm satisfied that HSBC made it clear to Ms W how it would report the concessionary payment arrangements to the credit reference agencies and Ms W chose to go ahead with those arrangements.

The screenshots I've seen of Ms W's credit file show that Ms W was in an agreed payment arrangement (“Arrangement to pay”) with HSBC between February 2021 and January 2022. I find nothing wrong with that. However, between February 2022 and August 2022 no agreed arrangement to pay is showing. Instead, those months show only mortgage arrears with no arrangement. I don't consider this an accurate reflection of how the mortgage and loan in fact operated during that period.

By February 2022 Ms W's circumstances had fortunately improved and she was able to resume making the full contractual monthly payments to both the mortgage and loan. She was also able to pay an additional amount each month on top of the contractual payments to reduce the arrears. This was discussed on a call between Ms W and HSBC on 10 February 2022. They came to an agreement about how much extra she would pay for six months, which HSBC confirmed by letter. HSBC then reported the mortgage and loan as being in arrears but not subject to any arrangement to pay.

There was in fact an arrangement to pay in place, which Ms W kept to. The Steering Committee on Reciprocity (SCOR) – a cross industry forum of representatives from the credit industry – has published guidance about credit file reporting: Principles for the Reporting of Arrears, Arrangements and Defaults at Credit Reference Agencies¹, endorsed by the Information Commissioner's Office, which I've considered. It says, at section 3:

“Agreed reduced or revised payments

If, due to financial difficulty, your lender agrees a reduced or revised payment with you, this will be reflected on your credit file. How revised or reduced payments are shown on your credit file will depend on whether it is a temporary or permanent change to the agreement. The account may or may not be in arrears at the time of the change.

[...]

Should a *temporary* reduction in the payment amount be jointly agreed between you and your lender, this ‘arrangement’ will be recorded at the CRAs [credit reference agencies].

¹ <https://www.scoronline.co.uk/wp-content/uploads/2021/05/Principles-for-the-Reporting-of-Arrears-Arrangements-and-Defaults-at-Credit-Reference-Agencies-version-2a-final-updated-to-refer-to-GDPR-and-DPA-2018.pdf>

This may also occur if there is a temporary change in terms (that is not part of the product) such as a payment holiday or change to interest only.

An arrangement may also be provided when a customer has agreed with the lender to make overpayments to clear historic arrears

Depending on the period and amount of the arrangement, arrears may continue to be reported. Such temporary arrangements may last for some time but are generally expected to revert to the contracted terms at some future point. For such accounts arrears may continue to be calculated in accordance with the contracted terms.

The record must show that the account is the subject of special terms. The reporting of this fact may be different depending on the product and the CRA.”

[Bold type is my emphasis]

HSBC has told us that it didn't report an arrangement to pay for Ms W's accounts after January 2022 because it only does so where there is an arrangement to pay *less* than the contractual monthly payment. When Ms W came to an arrangement with it to repay the arrears by paying *more* than the contractual monthly payments, it therefore reported arrears and no arrangement.

I consider that this approach is neither correct nor fair, and that it is at odds with the SCOR guidance I've set out above. HSBC should have reported that Ms W's accounts were the subject of special terms between February and August 2022. That would be an accurate reflection of the position: HSBC had agreed an arrangement to pay with Ms W. HSBC should therefore now correct the reports it has made to credit reference agencies to reflect this.

I don't find that Ms W has lost out financially because of what HSBC reported on her credit file, since she has been able to take new fixed interest rate products with HSBC and arrangements to pay and arrears are both likely to have adversely affected any applications to a new lender. I do think however that Ms W should fairly receive some compensation for non-financial loss. While I think HSBC's mistake had limited impact, Ms W has been inconvenienced in trying to sort it out and been caused some upset. In all the circumstances, I consider £200 is fair in recognition of that.

Putting things right

HSBC UK Bank plc must amend its credit file reporting for Ms W, to show that she was in an agreed payment arrangement for her mortgage and secured loan from February to August 2022 inclusive. It must also pay Ms W £200 compensation.

My final decision

My final decision is that I uphold this complaint and HSBC UK Bank plc must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms W to accept or reject my decision before 8 October 2025.

Janet Millington
Ombudsman