DRN-5748874

Financial Ombudsman Service

The complaint

Miss E is unhappy with how HSBC UK Bank Plc have reported her overdraft to the credit reference agencies (CRA) and said there were problems setting up a payment plan.

What happened

I issued my provisional findings to both parties setting out why I thought Miss E's complaint should be upheld, and invited both parties to provide any further submissions in reply to my provisional decision.

The background to this complaint was set out in my provisional decision together with my provisional findings, which are included below and now form part of this final decision.

Background

When Miss E switched her current account from HSBC to another provider in June 2024 there was an outstanding sum of over £700 due to HSBC because of the balance on Miss E's overdraft.

In early July 2024 Miss E engaged with HSBC about the overdraft. She explained to HSBC her monthly mortgage payment had, the previous month, increased significantly and she expected it to have a financial impact for her.

Miss E completed an income and expenditure (I&E) form online and the form was discussed with Miss E on a call with HSBC on 8 July 2024. HSBC confirmed that as the I&E showed Miss E had no disposable income available, they were unable to put a payment plan in place but they could offer her 'breathing space' for 60 days. This would allow Miss E to better understand the impact the change in her mortgage payment would have for her, review her financial commitments with other creditors and seek advice if she wished to do so.

Breathing space was put in place from the date of this call until 9 September 2024.

Miss E made no payment towards the outstanding overdraft balance in July 2024, but attempted to make a payment to the balance in August 2024, although due a reference being missed it wasn't allocated to the debt.

In September 2024 Miss E spoke to HSBC on more than one occasion, but it wasn't until the call on 16 September 2024 that – after a review of Miss E's I&E – HSBC were able to put a payment plan in place for her which started the same month.

The payment plan required Miss E to pay £70 per month for 10 months, followed by one payment of £50 to clear the outstanding overdraft balance.

Miss E made two payments towards clearing the balance on 25 and 26 September 2024, one for £70 and one for £50.

During the course of these events Miss E raised different concerns with HSBC about how they were reporting the overdraft to the CRAs and about HSBC's service to set up a payment plan for her. Miss E said she had been impacted by HSBC's failings as one of her credit card providers had significantly reduced her credit limit from £4,950 to £850 and she could not get the credit limit reinstated. Miss E explained the matter had also had an impact on her well-being.

HSBC accepted they had not reported Miss E's September 2024 payment correctly and so agreed to update this to the CRAs, but explained they had not been in a position to set up a payment plan for Miss E until mid-September 2024 because until then her I&E had shown she did not have any disposable income. HSBC found no failings in how their staff had engaged with Miss E during any of the calls.

Our Investigator did not uphold Miss E's complaint as they reviewed how the overdraft was being reported and concluded it was fair in the circumstances. They explained although HSBC had given Miss E breathing space, this meant no interest or charges would be applied during that time, but the account would still need to be reported accurately to the CRAs to show no payments had been made.

Miss E disagreed, primarily because the missed payments being reported were only missed because she had been told she was in breathing space and she had understood this to mean she did not need to make any payments during that time while she reviewed her situation, so she queried how could she be deemed to have missed payments.

As a resolution could not be reached, the matter has been passed to me to decide.

Provisional findings

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 am minded to reach a different conclusion to that of our Investigator as I think Miss E's complaint should be upheld.

I say this because while I've not reviewed anything to persuade me that HSBC have been impolite or not tried to engage with Miss E to support her, I am persuaded – for the reasons below – that HSBC could have arranged a payment plan for Miss E when she spoke to HSBC on 8 July 2024.

- The I&E Miss E completed in July 2024 was not accurately reviewed during the call on 8 July 2024.

- The July 2024 I&E showed a deficit of around £610 suggesting Miss E had no disposable income to be able to make payments towards her HSBC debt. However, when Miss E's I&E was reviewed in the call on 16 September 2024 it was determined that Miss E in fact had a disposable income of £229.

  The main reasons for the difference between the two reviews of Miss E's I&E completed only a few months apart was that Miss E's pension contributions (£458.60) had initially been included in her outgoings. However, Miss E had told HSBC during the call on 8 July 2024 that her pension was not a private pension and was taken before her salary was paid – HSBC even noted at the time that they may therefore not have to include it in Miss E's outgoings.

  And in the call on 16 September 2024, HSBC noted during their review of Miss E's I&E that it appeared her car finance payment (£258) had been accounted for twice on the I&E. It appears that during the call on 8 July 2024 while the HSBC staff member had confirmed Miss E's credit commitments were up to date, they had not clearly confirmed what the borrowing listed as 'other' with a monthly payment of £258 was for and it appears an assumption was made that it was for a credit card. However, the I&E showed the exact same payment amount of £258 listed later on as an 'expenditure' for a car lease.

- Miss E's base income had not changed between the call on 8 July 2024 and the call on 16 September 2024, although Miss E did say she was looking to pick up some extra shifts in September 2024.

In light of this I think it's fair to say Miss E would more likely than not have been able to manage the payment plan (that was later agreed in September 2024) had it been set up for her in July 2024.

From my review of the call on 8 July 2024 it is clear the HSBC staff member took time to explain a lot of different information to Miss E to try and help her find a sensible way forward at that time, so it is unfortunate the scrutiny of Miss E's I&E fell short on the two points noted above.

In the circumstances I think if it had been determined that Miss E had disposable income available to her in July 2024, and she was presented with the choice of breathing space or entering into a payment plan, I think she would more likely than not have agreed to a payment plan at that time. I say this because Miss E's queries to HSBC then had been to find out how much she could pay to clear the debt and she expressed her intention to clear her credit as soon as she could to release the funds for other things.

Where something has not gone quite right it can sometimes be difficult to undo what has already happened, so given the circumstances I've considered the following points to try and put things right as far as it is reasonable and practicable to do so.

- For the reasons above, I think Miss E would have chosen to enter into a payment plan in July 2024 if that had been an option available to her, so she would therefore more likely than not have made payments towards the debt in July 2024 and August 2024. I therefore think it fair that HSBC update Miss E's credit file to reflect that no payments were missed for those two months, and to instead report those two months as Miss E being in an arrangement.

- Miss E has said September 2024 has been reported as a missed payment as well; however, HSBC have been able to show that they have reported (to the different CRAs) that Miss E was in an arrangement with them from September 2024 – so I don't think HSBC need to do anything more here.

  Miss E may therefore wish to approach the CRA that provided her with the report in question to query their reporting – although, given my proposal above for HSBC to update the missed payments, this may inadvertently resolve things for the September 2024 payment.

- I understand Miss E has said that the reporting of missed payments caused another credit card provider to reduce her credit limit and this was a card Miss E intended for emergencies and some day-to-day use. I realise having access to the higher credit limit for emergencies in particular was important for Miss E and while I note she has sought to recover access to that credit – either through the other credit card provider, or through HSBC, I don't think this is something for HSBC to put right as Miss E suggests.

The credit card provider reduced Miss E's credit limit from 4 October 2024 and Miss E understood this was due to the missed payments reporting on her account, but I'm mindful there are a number of variables lenders consider when deciding a person's credit limit. And had the payment plan been put in place in July 2024, I think it likely the arrangement on Miss E's overdraft could potentially have still affected the other lender's considerations (together with anything else they would have taken into account). In short, it would be difficult to say the credit limit reduction would still not have happened.

Furthermore, in the circumstances, it would not be reasonable for me to direct another credit provider or HSBC to provide Miss E with credit. Lenders have an obligation to lend responsibly and they take a number of factors into account (notwithstanding their commercial risk at any given time). Ultimately it is a lender's commercial decision to provide someone with credit. I'm mindful Miss E has been told she could apply to increase the credit limit on her card, so this is an option open to her.

- I've lastly considered the overall impact to Miss E. During these events Miss E did talk to HSBC about her mental health and that this matter, including the calls from HSBC, had been causing her much stress and affected her well-being at a difficult time.

  I have no doubt Miss E was not finding things easy at the time and was engaging with HSBC to find a way forward as her intention was to ensure she cleared her debt. And for the most part, given the submissions I have available to me, I think HSBC were trying to support Miss E and were sensitive to her situation. However, it does appear, on reflection, there was a missed opportunity to arrange a payment plan for Miss E earlier than HSBC did – and in the circumstances I think by not doing this it's fair to say this led to an unnecessary impact on Miss E's well-being at an already difficult time. I therefore think it fair for HSBC to reflect this by paying Miss E £150.

For the reasons above I uphold Miss E's complaint and HSBC UK Bank Plc should, in relation to this account, change their reporting to the CRAs for the months of July 2024 and August 2024 to show that Miss E was in an arrangement and pay Miss E £150.

<u>Responses to provisional decision</u>

HSBC replied to say they had nothing further to add, and accepted the provisional decision to resolve matters.

Miss E also responded to the provisional decision and made some additional comments.

Miss E said she had queried how the same information on the I&E could at first have said she couldn't afford a payment plan, but then later did say a payment plan was affordable. Miss E also maintained the missed payments had caused the reduction in her credit card limit with another lender and said the missed payments were affecting her ability to remortgage. Because of this Miss E requested her credit file be updated quickly and that HSBC should provide access to a line of credit to compensate for the loss of credit from the other lender.

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’ve carefully considered Miss E’s additional submissions, and I acknowledge Miss E’s frustration with what happened and how she has described these events have affected her financially. It is unfortunate that Miss E’s payment plan was not set up sooner; however, I have not seen enough here to persuade me to depart from my provisional findings as set out above.

I think £150 is fair to recognise the prolonged worry Miss E had in terms of how she would manage this particular debt given the financial challenges she had at the time. And that to amend Miss E’s credit file to show that it was in an arrangement in July 2024 and August 2024 more fairly reflects the likelihood she would have been in a payment plan sooner than she was. I remain persuaded that, in the circumstances, this is a fair and reasonable resolution.

I note Miss E maintains the missed payments reported on her credit file are the cause of the reduction in her credit limit and they are now causing her difficulties in arranging a remortgage, but I have not seen any evidence to persuade me that the two missed payments on her credit file were the sole direct causal link to the financial events Miss E now describes. I maintain there are several variables involved for a lender to consider when agreeing credit for someone, and there is a likelihood that, even if the payment plan had been set up earlier, then an arrangement showing on a credit file would also have had a bearing on any decision to lend.

I understand how important this matter is to Miss E, but for the reasons above I think the resolution I have set out to put things right as far as it is reasonably possible to do so, is fair in the circumstances.

Putting things right

HSBC UK Bank Plc should, in relation to this account, change their reporting to the CRAs for the months of July 2024 and August 2024 to show that Miss E was in an arrangement.

HSBC UK Bank Plc should pay Miss E £150.

My final decision

For the reasons above, my final decision is that I uphold Miss E’s complaint and HSBC UK Bank Plc should put things right as I’ve set out above.

Under the rules of the Financial Ombudsman Service, I’m required to ask Miss E to accept or reject my decision before 9 September 2025.

Kristina Mathews
Ombudsman