

The complaint

This complaint is about an interest-only mortgage Ms Z holds with HSBC Bank PLC. The mortgage term expired in 2020. Ms Z is unhappy that HSBC has begun legal action to recover the debt. She's dissatisfied with HSBC's communication with her, and also believes that incorrect recording of adverse information about missed payments on her credit file has hindered her attempts to secure a new mortgage with another lender in order to repay what she owes HSBC.

What happened

I do not need to set out the full background to the complaint. This is because the history of the matter is set out in the correspondence between the parties and our service, so there is no need for me to repeat the details here. In addition, our decisions are published, so it's important I don't include any information that might lead to Ms Z being identified.

So for these reasons, I will instead concentrate on giving a brief summary of the complaint in my own words, rounding any figures, followed by the reasons for my decision. If I don't mention something, it won't be because I've ignored it; rather, it'll be because I didn't think it was material to the outcome of the complaint.

Ms Z took the mortgage out in 2010; it had a ten-year term and was due for repayment in November 2020. As it's required to do, HSBC wrote periodically over 2018 and 2019, reminding Ms Z of the impending expiry of the mortgage and the need for her to ensure she could repay it when due. When the Pandemic happened in 2020, in accordance with the regulatory guidance introduced at the time, HSBC allowed a grace period giving Ms Z until 31 October 2021 to repay the debt.

The mortgage wasn't repaid, but interest payments continued to be made each month. HSBC made periodic attempts to contact Ms Z about the outstanding balance, in writing and by telephone, without success. In March 2022, Ms Z told HSBC the property wasn't currently on the market but would be in the summer. The next HSBC heard from Ms Z was in November 2023 when she told it she'd been out of the country, and had plans to repay the debt from a combination of savings and/or refinancing, or possibly even selling up.

In November 2024, having heard nothing further, HSBC issued a final demand. When it hadn't heard from Ms Z by 6 January 2025, HSBC instructed solicitors to begin legal action for possession of the mortgaged property. Ms Z made contact on 30 January 2025, again telling HSBC she had been out of the country.

There then followed a series of communications between Ms Z and different departments in HSBC in which she tried to reach an accommodation with the bank for the legal action to stop whilst she arranged refinancing. Much of what Ms Z is complaining about arises from this; she's said that HSBC, amongst other things:

- told her a decision in principle (DIP) from another lender would be enough for HSBC to halt legal action;
- told her no legal fees would be charged when they were;

- told her it had made an error in recording a missed payment on her credit file;
- agreed to send her an income and expenditure form to fill out and then didn't; and
- hadn't kept her informed about interest rate changes.

The above is not an exhaustive list, and I don't intend it to be. Rather, it's illustrative of the broader circumstances that prompted Ms Z to raise a succession of complaints. HSBC dealt with each complaint in a number of final response letters. It removed the adverse data from Ms Z's credit file, paid her £100 compensation for the mix-up over the income and expenditure form, and the same amount again for mis-informing her about what was needed for action to stop.

When the case came to us, it was looked at by one of our investigators, who concluded that HSBC was entirely justified in starting litigation on 6 January 2025 given what had happened in the years since the mortgage term expired. In his most recent view of the case, he concluded that the compensation HSBC had already paid for the mistakes it had made was sufficient. Ms Z asked for the complaint to be reviewed by an ombudsman.

What I've decided – and why

I'll start with some general observations. We're not the regulator of financial businesses, and we don't "police" their internal processes or how they operate generally. That's the job of the Financial Conduct Authority (FCA). We deal with individual disputes between businesses and their customers. In doing that, we work within the rules of the ombudsman service and the remit those rules give us. We don't replicate the work of the courts.

We're impartial, and we don't take either side's instructions on how we investigate a complaint. We conduct our investigations and reach our conclusions without interference from anyone else.

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

That includes Ms Z's most recent submission dated 15 August 2015, marked expressly for the attention of the reviewing ombudsman.

My starting point here is that Ms Z borrowed money from HSBC and under the terms of her original agreement with HSBC, was due to repay the money in November 2020. No one is entitled to borrow money; and even when they've borrowed before, they're not automatically entitled to more time to repay the debt after it has fallen due. But a lender must treat customers fairly, and I deal with that next.

First of all, I'm satisfied HSBC kept Ms Z informed of her obligations to repay the mortgage, both before and after the expiry date. Meanwhile, when the Pandemic happened, HSBC did the right thing by allowing her a one-year grace period in which to repay the mortgage.

When that didn't happen, HSBC didn't immediately begin recovery action, as it might have done, but continued to seek assurances from Ms Z that she was taking steps to pay the overdue debt. Actual contact with Ms Z was sporadic at best (the reasons for which I'll deal with in due course) but there were two occasions, in March 2022 and November 2023 respectively, when Ms Z told HSBC what she was intending to do. But in neither case did anything substantive happen.

A further year passed without contact before HSBC issued a final demand. And when that didn't evoke a response, HSBC took what I consider the proportionate step of instructing

solicitors to begin recovery action. That was on 6 January 2025, more than four years after the mortgage fell due for repayment. Looked at in that historical context, I couldn't reasonably find HSBC to have treated Ms Z unfairly up to that point.

It's now known that Ms Z was out of the country for extended periods, and didn't pick up mail and messages. However, that's not a mitigating factor in my view. HSBC had always taken every reasonable step to ensure Ms Z knew what her obligations were, and it was incumbent on her to take whatever steps were necessary to ensure communications were maintained, whether that be by providing a correspondence address or setting up mail forwarding.

I don't need to make any finding on whether HSBC made mistakes during its dialogue with Ms Z between the end of January 2025 and the complaint being referred to us. It's not disputed that HSBC gave Ms Z wrong information, posted credit file information that didn't fairly reflect what had happened, and failed to issue an income and expenditure when promised.

In isolation, I agree with the investigator that the £200 compensation HSBC has paid Ms Z, in two amounts of £100 each, is fair redress for the trouble and upset she experienced as a result of these service shortcomings. However, I also agree with the investigator that any impact those errors and omissions (in particular the credit file reporting error) had on Ms Z's attempts to secure a re-mortgage were in all likelihood negligible.

There's little doubt in my mind that the adverse impact on Ms Z's credit-worthiness of having a debt that has been unpaid for four years will have been far more damaging than a missed payment entry, which has since been removed. However, her own evidence points to Ms Z's new lender needing reassurance about her employment and income before being willing to issue a mortgage offer. So even if HSBC hadn't recorded anything adverse on Ms Z's credit file regarding monthly payments, and even if none of the communication shortcomings on HSBC's part had happened, Ms Z would still be in the same position she is currently in.

I said at the outset that I wouldn't be commenting on every single point, and I haven't. I have, as I said I would, confined myself to those matters that I consider have a material effect on the outcome. I can see how strongly Ms Z feels. That's a natural, subjective reaction, and entirely understandable in the circumstances. Be that as it may, I have to take a different approach. I'm impartial and I have to look at things objectively. That's what I've done.

That begs the question of what happens next, if a new mortgage from Ms Z's prospective new lender doesn't come to fruition soon. I don't know what HSBC's intentions would be in that scenario, but resumption of legal action to enforce its security over the mortgaged property can't be ruled out. That was put on hold when the complaint came to us. But clearly that is something it can consider as a next step. It's important to explain here that lenders will generally agree not to pursue recovery action whilst we look at a complaint, but they don't have to and we can't force them to.

If the Financial Ombudsman Service had that power it would undermine our impartiality between the parties to a complaint. It would also create the potential for consumers to use our service to bring complaints with the intention of having any legal action put on hold, thereby obstructing businesses that were trying to take action through the courts to recover money legitimately owed by the consumers.

I do not wish to alarm Ms Z but I would not want her to be under any misunderstanding that we would tell HSBC that it must delay recovery action indefinitely whilst she continues with her efforts to re-finance. Nor must it do so in the event of any new complaint being raised about the mortgage. It is a matter for a court to decide whether it is appropriate to adjourn or suspend any legal action, not this service.

I know this isn't the outcome Ms Z wanted. She is faced with the prospect of having to find a significant sum of money to repay her mortgage, with the potential risk of losing her home if she doesn't. HSBC has already given her close to five years' grace in which to repay the mortgage. If she doesn't do so soon, *or at the very least*, demonstrate to HSBC in the meantime that she is doing all she can to expedite a re-mortgage, HSBC could potentially enforce its security over the home she wishes to remain in.

My final decision

My final decision is that I don't uphold this complaint.

My final decision concludes this service's consideration of this complaint, which means I'll not be engaging in any further discussion of the merits of it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms Z to accept or reject my decision before 23 September 2025.

Jeff Parrington

Ombudsman