

The complaint

A limited company, which I'll refer to as 'T', is unhappy that HSBC UK Bank Plc didn't apply a Pay As You Grow ("PAYG") payment deferral holiday to its Bounce Back Loan ("BBL")

T's complaint is brought to this service by its director, whom I'll refer to as 'Mr J'.

What happened

In August 2024, the direct debit payment for T's BBL failed, meaning that the loan fell one month into arrears. On 19 August, HSBC called Mr J about the missed payment and was told by Mr J that he was suffering with health problems and had an operation scheduled for 3 September.

HSBC noted that while T had utilised most of the PAYG payment deferral options available to it on the BBL, one PAYG capital repayment holiday remained available. HSBC asked Mr J if he would like to avail of the last PAYG option available to T, and Mr J confirmed that he would. HSBC then explained to Mr J that they would send an email to him which would include a Letter of Variation that he would have to sign and return in order for the PAYG payment holiday to be applied to T's loan.

HSBC sent the email to Mr J but received no response. HSBC then sent reminder emails to Mr J on 27 August, and 3 and 10 September, but again received no response. Additionally, when the BBL payment direct debit was applied for by HSBC in September, that payment also failed, meaning that T's loan fell two months into arrears.

On 27 September, HSBC spoke with Mr J, who raised a complaint on T's behalf on the basis that the PAYG holiday hadn't been set up on T's account as had been agreed on the 19 August phone call.

HSBC responded to Mr J and explained that they hadn't been able to set up the PAYG holiday because they hadn't received the signed Letter of Variation back from Mr J. HSBC also confirmed that T could still apply for the PAYG holiday moving forward, but that a signed Letter of Variation would be required for it to be set up on T's account.

Following this, T didn't make its October and November payments, so that its BBL fell four months into arrears. Mr J wasn't happy that HSBC were reporting loan arrears to T's BBL, because he felt the PAYG payment holiday should be in place, so he raised a further complaint on T's behalf.

HSBC responded to Mr J's second complaint and reiterate that the PAYG holiday hadn't been set up because they hadn't received a signed Letter of Variation from Mr J. HSBC also confirmed that they hadn't received any payment from T for the BBL for four months, and so didn't feel that they'd done anything wrong by reporting the account arrears to T's credit file that they had.

Following this, T continued to not make its scheduled monthly BBL payments, and HSBC continued to reach out to Mr J about the deteriorating position of T's account. Mr J then

raised a third complaint with HSBC on T's behalf in January 2025, because he felt that HSBC hadn't fairly taken account of his status as a vulnerable person, based on his health problems which HSBC were aware of.

HSBC responded to this third complaint and acknowledged that they could and reasonably should have moved T's account to their Financial Support Team when Mr J first told them about his health problems in August 2024. Because that hadn't happened, HSBC agreed to add the loan arrears – which now stood at over £3,000 – back into the loan balance and extend the loan term by the appropriate number of months, meaning that HSBC would consider the BBL as being up to date. HSBC also confirmed that they would amend their reporting to T's credit file accordingly.

Additionally, HSBC confirmed that there was no PAYG holiday in place on T's account and reiterated that if Mr J wanted it to be applied to T's BBL, he would need to sign and return the Letter of Variation at least three working days before the date of the next scheduled loan payment. HSBC also confirmed that if T continued to not make payments to the BBL moving forward, the loan would fall into arrears. Finally, HSBC offered £200 to T as compensation for any trouble or inconvenience it may have incurred.

Following this, Mr J didn't send a signed Letter of Variation to HSBC and T continued to not make payments to its BBL, meaning that the loan fell back into arrears. As a result, HSBC followed their account arrears collections and recoveries processes, which included sending arrears notices to T and attempting to contact Mr J, who continued to suffer with his health. Mr J wasn't happy with how HSBC were administering T's BBL and felt that he was being harassed by the. So, he referred T's complaint to this service.

One of our investigators looked at this complaint. But they didn't feel that HSBC were acting unfairly as Mr J contended and didn't uphold T's complaint. Mr J 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.

Having done so, I note that in his submissions to this service, Mr J has made several references to the impact that HSBC's actions have had on him personally, such as his feeling harassed by HSBC's ongoing attempts to speak with him about the position of T's BBL.

Unfortunately, while I'm cognisant of Mr J's health problems, I won't be able to consider any personal impact that he may have incurred here. This is because this complaint is raised in the name of T, the limited company, and not in Mr J's own name in his personal capacity. That this complaint is raised in T's name is correct, because the complaint arises from an account – the BBL – which is in T's name. But a consequence of this is that I can only consider the impact of events on T, the limited company, and not on Mr J personally.

Furthermore, upon consideration, I also don't feel that HSBC have acted unfairly towards T as Mr J feels is the case here. I say this because HSBC have explained to Mr J on multiple occasions that he needs to sign and return a Letter of Variation before the PAYG holiday can be applied to T's account. Ultimately, Mr J hasn't done this, and while I appreciate that he had an operation scheduled for 3 September 2024, HSBC first sent the letter of variation to him via email on 19 August, and sent a reminder email on 27 August, both of which were before Mr J's operation was scheduled.

It also must be noted that Mr J had previously applied for other PAYG holidays on T's account, all of which would have required him to sign and return a Letter of Variation, such that I feel that Mr J should reasonably have known that a similar letter needed to be signed and returned in this instance also.

I've listened to several phone calls between Mr J and HSBC, and I note that on several of those calls Mr J explained to HSBC that he was on a lot of medication and couldn't take in information being given to him verbally and asked for it to be put in writing. But HSBC did put their requirement that a Letter of Variation be signed for the PAYG application to proceed in writing, in the aforementioned emails. Additionally, HSBC reiterated to Mr J in their response letters to all three of T's complaint that a Letter of Variation had to be signed and returned to them by Mr J.

In their response to T's third complaint, sent 30 January 2025, HSBC acknowledged that they should have referred Mr J to their Financial Support Team earlier than they did, in consideration of his health problems. Because they didn't do so, HSBC agreed to fold five months of BBL arrears totalling £3,137.20 back into T's loan, so that it would be considered up to date, and offered £200 compensation to T. HSBC's actions in this regard seem very generous to me, given that Mr J didn't return the Letter of Variation as required and given that I don't feel that HSBC were responsible in any way for the fact that T hadn't made five consecutive payments to its BBL.

By effectively 'resetting' the BBL in January 2025, HSBC gave Mr J the opportunity to either ensure that T made the contractually required BBL payments, or to return the signed Letter of Variation to HSBC so that the PAYG holiday could be applied. But Mr J did neither of those things, and I feel that the position that Mr J appears to have taken here – which seems to be a refusal to make payments to T's BBL until he receives an outcome to T's complaints that he is satisfied with – is unreasonable.

Accordingly, I feel that because T hasn't made its contractual payment obligations on the BBL, and hasn't applied for a PAYG holiday, it's fair that HSBC should consider the loan to be in arrears. And it follows from this that I also feel it's fair that HSBC should follow its account arrears collections and recoveries processes, including reaching out to Mr J to try to help him avoid T's BBL being defaulted for non-payment.

Mr J has said that he feels that HSBC's attempts to contact him amount to harassment. I'm not persuaded that's the case. Instead, I note that HSBC have a regulatory and moral obligation to try to contact Mr J in these circumstances. And if HSBC didn't try to do so, but instead moved to default T's loan without trying to contact Mr J and obtain the required payment from T to avoid such a default, I'd likely consider HSBC to have acted unreasonably.

All of which means that I won't be upholding this complaint or instructing HSBC to take any further or alternative action here. This is because I don't feel that HSBC acted unfairly by requiring Mr J to return a signed Letter of Variation to them, and because I feel that HSBC have explained this point to Mr J on multiple occasions both verbally and in writing.

Furthermore, I also feel that HSBC's actions in resetting T's loan in January 2025 and amending T's credit file reporting were generous and went beyond what I likely would have instructed to do had I reviewed this complaint at that time. I also feel that any arrears that have accrued on the account after January 2025 are fair and that Mr J's apparent refusal to make payments to the loan is both unreasonable and the root cause of those arrears.

As mentioned previously, I appreciate that Mr J has been suffering with health problems. But it must be noted that T's contractual payment obligations remain in place, even in

consideration of Mr J's health problems. I can therefore only encourage Mr J to liaise with HSBC, as per their requirements, to discuss repayment of T's BBL with them. And if Mr J doesn't do so, then I feel that any collections and recoveries action that HSBC may take as a consequence of the non-payment of the BBL after January 2025 would be fair and reasonable.

I realise this won't be the outcome that Mr J was wanting, but I hope that he understands, given all that I've explained, why I've made the final decision that I have.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask T to accept or reject my decision before 7 January 2026.

Paul Cooper
Ombudsman