

## The complaint

Mr B complains that HSBC UK Bank Plc has recorded incorrect information about his mortgage on his credit file.

## What happened

Mr B has a mortgage with HSBC. The mortgage is in two parts. It was set up that way from the start, in 2019. Mr B took a mortgage to purchase the property, and also took what HSBC calls a homeowner loan – secured by the same charge over his property – to fund refurbishments once the purchase completed.

In 2020 Mr B took a coronavirus payment deferral, meaning he didn't have to make any payments between April and June. In June 2020 HSBC wrote to him to say that his payments would resume from July.

HSBC collected the payments via direct debit in July 2020. Mr B raised a direct debit recall with his bank, and the payments were refunded to him. HSBC sent him a letter saying that the mortgage had gone into arrears as a result.

Later that month Mr B agreed a further payment deferral for the months of July, August and September. He would therefore resume making payments in October.

In October Mr B asked for an extension to the payment deferral. But he'd already had the maximum six months allowed under the regulator's guidance in place at the time.

Mr B says that he spoke to HSBC in October 2020, and it agreed to allow him not to make payments for a further three months. HSBC says it hadn't made an arrangement, it had only agreed to consider a request for an arrangement. It says that it then agreed to a three month nil payment arrangement for November December and January, and that therefore Mr B missed the payment in October without being in an arrangement.

In 2021, Mr B was still unable to resume making payments. He was able to start doing so again in May, and HSBC agreed then that if he made three consecutive payments it would consider capitalising the arrears that had built up. The arrears were capitalised in September 2021.

Mr B now complains about the impact this period has had on his credit file. He complains that HSBC reported that he had missed payments even when he hadn't. And he complains that it reported that he had two mortgage accounts, not one, so his credit file showed two lots of mortgage arrears not one. He said that as a result he'd had problems obtaining credit – specifically, when he came to take out car finance, he had to take a higher interest loan from a specialist lender.

Our investigator thought that HSBC had recorded the conduct of Mr B's mortgage correctly in terms of the payments he had and hadn't made. But she said that it should only have reported that he had one mortgage account, not two, and it should correct that part of his credit file.

HSBC didn't agree. It said that Mr B had two separate accounts. They were entered into, and managed, separately from the start. It was therefore correct that it reported both accounts – not one combined account – to the credit reference agencies. It asked for an ombudsman to make a decision on the complaint.

I took a different view to the investigator, so I issued a provisional decision to allow the parties a further chance for comment before I finally decide the complaint.

### **My provisional decision**

I said:

“First of all I've looked at what HSBC has actually reported to Mr B's credit file. A credit file report contains two key pieces of information for each month – the payment status and the account status. The payment status says whether the account is in arrears or not, and the account status specifies how much the arrears are if any.

Account status codes include “OK” (account up to date), “AR” (arrears by arrangement), “AA” (minor unarranged arrears) and “BB” (more serious unarranged arrears). Payment status codes are numerical, ranging from “0” (account up to date) to “6” (account in arrears by the equivalent of six monthly payments or more).

HSBC has reported the following to Mr B's credit file:

Month	Payment status	Account status
March 2020	0	OK
April 2020	0	OK
May 2020	0	OK
June 2020	0	OK
July 2020	0	OK
August 2020	0	OK
September 2020	0	OK
October 2020	0	OK
November 2020	1	AR
December 2020	2	AR
January 2021	3	AR
February 2021	4	BB
March 2021	5	BB
April 2021	6	BB

May 2021	5	BB
June 2021	5	BB
July 2021	5	BB
August 2021	5	BB
September 2021	0	OK
October 2021	0	OK
November 2021	0	OK
December 2021	0	OK

It has reported the same pattern for both accounts. Leaving aside the question of whether there should be two reports or one (which I'll deal with below), I'm satisfied this is correct. It shows no impact due to having taken a six month payment deferral up to October 2020, in line with the guidance for payment deferrals. Thereafter it shows the arrears initially escalating (at first with an arrangement), then beginning to gradually come down again until capitalised in September 2021. This reflects the actual conduct of Mr B's mortgage. The arrangement letters in November 2020 make clear that even though the mortgage is in an arrangement, that will still result in arrears which will be reported to Mr B's credit file.

I've also thought about whether it's fair and reasonable that HSBC has reported the mortgage as two accounts not one.

Mr B took out his mortgage in 2019. The mortgage offer says:

"This is a multi-part, capital repayment, Mortgage.

Part 1: New Loan [sort code, account number ending \*850]

This is a capital repayment mortgage for £115,416.00 for a term of 19 years, with Fixed Rate until 31/10/2024 (the 'Fixed Rate' period)

...

Part 2: New Loan [sort code, account number ending \*869]

This is a capital repayment home loan for £45,583.00 for a term of 19 years, with Fixed Rate until 31/10/2024 (the 'Fixed Rate' period)

...

Interest Rate:

Part 1: A Fixed Rate of 1.74% until 31/10/2024 ...

Part 2: A Fixed Rate of 1.74% until 31/10/2024

...

Total initial monthly payment

For the first 62 months you will have a total monthly payment of: £829.92

This is made up of the following monthly payments:

Part 1 – a monthly payment of £594.95

Part 2 – a monthly payment of £234.97”

There are arguments on both sides here. On the one hand, from Mr B’s point of view this is all one mortgage. He borrowed one amount of money (albeit for two purposes – purchasing, and renovating, the property) through one application, he makes one payment a month, and all the borrowing is secured by a single charge over his property. And reporting it as two separate accounts means that his credit file shows arrears on two mortgages not one – worsening the impact.

On the other hand, from HSBC’s point of view, there are essentially two separate loans here. They were always expressed as being separate (parts one and two) rather than one single borrowing sum, right from the start. HSBC treats borrowing for purchase and borrowing for renovation as separate lending amounts, subject to separate lending decisions. They have separate account numbers and when HSBC agreed to the payment deferral and payment arrangement it sent him separate letters for each account.

There’s nothing in the rules of mortgage regulation about what lenders should do in this situation. And the reporting in question was made in 2020 and 2021, so before the regulator’s Consumer Duty came into force. So that’s not a relevant consideration here either.

That does therefore mean that HSBC hasn’t done anything wrong in the way it has reported Mr B’s mortgage. From its point of view, this is two separate accounts, lent separately (albeit at the same time) and managed separately.

I agree that HSBC hasn’t done anything wrong here. Equally, reporting the mortgage as one account not two wouldn’t be wrong either. The fact that HSBC hasn’t done anything wrong is an important consideration in deciding whether it’s acted fairly and reasonably in all the circumstances.

Having taken everything into account, I don’t think it has acted unfairly. I’m afraid I don’t agree with Mr B that it failed to communicate the impact of missing payments with him. It did make clear at the time that any arrears would be reported to his credit file. I appreciate that’s made it more difficult for him to obtain other credit since then. But that would likely still have been the case had the mortgage been reported as one account in arrears, not as two. On balance, I don’t think I can fairly uphold this complaint.”

### **The responses to my provisional decision**

HSBC had no further comments to make. Mr B didn’t agree with my provisional decision. He said:

- It’s not correct that he purchased the property in 2019. He already owned it, and this

was a re-mortgage to HSBC from another lender.

- He didn't receive the letter HSBC sent at the end of the payment deferral in 2020.
- If HSBC agreed to an arrangement in November 2020, why is his credit file marked as AR – arrears by arrangement?
- Why wouldn't HSBC agree to capitalisation immediately, rather than requiring three payments first? This extended the detrimental effect on his credit file. And "BB" isn't appropriate – there was an agreement in place, that Mr B would make his payments and then HSBC would capitalise after three months.
- This was not two mortgage agreements. It was one application for one loan on one interest rate, all over the same term and agreed at the same time. There was one illustration, one mortgage offer and one charge over the property. HSBC's internal administration may treat it as two accounts, but that's just an internal administrative matter. The reality is that this is one mortgage account and therefore only one credit report should be made. If HSBC intended there to be two separate accounts with two separate credit reports it should have made that clear – including when agreeing to arrangements in 2020 and 2021.
- Even if Consumer Duty doesn't apply to things that happened in 2020 and 2021, the Duty merely reflects the requirements of fair treatment and acting in good faith which were always in place.

### **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 reviewed the evidence again. I accept this wasn't a purchase in 2019 – Mr B already owned the property and was re-mortgaging – and I'm sorry for the confusion. But I don't think that affects my conclusions.

I'm satisfied this was two separate loans and two separate lending decisions, albeit that all funds were released at the same time and secured by the same charge over the property. Mr B wanted to borrow £115,000 to re-mortgage, and £45,000 for home improvements. HSBC considered each part of the application separately. It asked Mr B's broker about the purpose of the lending, and the broker explained it was to construct an extension to the property.

The illustration and mortgage offer both confirm that this is two separate loans. The illustration says:

This is a multi-part capital repayment mortgage.

Part 1: New Loan, sort code [redacted] account number [redacted]850

This is a capital repayment mortgage for £115,416.00 for a term of 19 years

...

Part 2: New Loan, sort code [redacted] account number [redacted]869

This is a capital repayment home loan for £45,583.00 for a term of 19 years

Each section of the illustration refers to the two loans separately. I agree that the loan term and interest rate is the same on both parts, but I don't think it necessarily follows that this is one loan not two. There were two separate loans – one to re-finance the existing borrowing, and one to finance improvement works.

Similarly, all the correspondence since confirms that this was two loans not one. For example, when agreeing to the payment deferral in 2020 HSBC sent two letters, one for each account, rather than one letter. Similarly, it sent two separate annual statements. I don't think this is simply a matter of HSBC's internal administration. This was two separate loans, albeit secured by the same charge, and has been treated as such all along. I'm not therefore persuaded that it was unfair for HSBC to report two loans not one to the credit reference agencies.

I've also reviewed what it did report again. I'm still satisfied the reporting is correct. Although there was no arrangement in place for October 2020, there was no adverse information reported because the mortgage was not in excess of one month's payment in arrears. When November's payment was also missed that was no longer the case, which is why the report of "1" starts here and not in October. But there was an arrangement in place, so HSBC reported "AR" not "AA", which is as I'd expect.

The agreed arrangement ended after three months, but Mr B didn't resume making payments immediately. So the reported arrears increased from "3" to "6" over subsequent months. And because there was no longer an agreement to accept less than the monthly payment in place, HSBC no longer reported "AR", it reported "BB" (and not "AA", because there were arrears of more than three months' missed payments – even though the initial three months had arisen during an arrangement, the next three months were missed without arrangement, and by then the cumulative arrears were over three months). I'm satisfied that fairly reflects the conduct of the account.

Once Mr B was able to resume making payments, HSBC agreed to capitalise the arrears. That was fair. And it was reasonable to wait three months before agreeing to do so. Capitalisation increases the monthly payments because the outstanding arrears are added to the mortgage balance. That means the mortgage becomes more expensive than it was before the arrears arose. It's reasonable to wait a few months to make sure Mr B's financial difficulties were behind him and the mortgage was now sustainable before committing him to make higher mortgage payments.

During that period it was reasonable to continue to report "BB". Although HSBC had indicated it would capitalise the arrears if Mr B was able to maintain the monthly payments, there wasn't an arrangement for him to pay less than the monthly payment, and there wasn't an arrangement for him to pay more to reduce the arrears, in the months leading up to the capitalisation. In the absence of such an arrangement, it was reasonable not to report "AR" as if an arrangement was in place.

For all those reasons, and the reasons in my provisional decision, I'm satisfied that Mr B's credit file is an accurate reflection of the conduct of his mortgage account. I don't therefore think that I can fairly uphold this complaint.

### **My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 5 February 2026.

Simon Pugh  
**Ombudsman**