

## **The complaint**

Mrs H is unhappy with the service she received from HSBC UK Bank Plc when she asked them for assistance during a period where she was struggling financially, including that HSBC ultimately defaulted her account.

## **What happened**

In April 2020, Mrs H contacted HSBC and requested a payment holiday on her personal loan account because she had been financially impacted as a result of the Covid-19 pandemic that was emerging globally at that time. HSBC agreed to a three-month payment holiday which ended at the start of July 2020. Following this, Mrs H was still experiencing financial difficulty and asked HSBC for continuing financial assistance. HSBC offered Mrs H a six-month long-term affordability plan, during which time no monthly payments were required from Mrs H but where arrears would accrue on the account if no payments were made and where those arrears would be reported as such to the credit reference agencies.

Mrs H didn't make any payments during this plan, and the arrears on her account grew accordingly. In September 2020, because of the arrears on the account, HSBC issued a default notice to Mrs H, and the account was subsequently defaulted for non-payment in November 2020. Mrs H wasn't happy about this, and she didn't feel that HSBC had provided her with the financial support that they should have done. So, she raised a complaint.

HSBC looked at Mrs H's complaint. They felt that had initially explained the nature of the six-month long-term affordability plan correctly to Mrs H, but they felt that when Mrs H had contacted them in October 2020, having received the default notice sent to her the previous month, that they could have provided a clearer explanation to Mrs H at that time as to what might happen on the account moving forwards. Because of this, HSBC made a payment of £100 to Mrs H to compensate her for any inconvenience that she'd incurred.

Mrs H wasn't satisfied with HSBC's response, so she referred her complaint to this service. One of our investigators looked at this complaint and liaised with Mrs H and HSBC about it, at which time HSBC offered to make a further compensation payment of £400 to Mrs H. Our investigator felt that this further offer of compensation from HSBC represented a fair and reasonable resolution to what had taken place, including that Mrs H's account had been defaulted for non-payment, which our investigator felt had been fair.

Mrs H 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.

I issued a provisional decision on this complaint on 9 March 2022 as follows:

*In April 2020, the Financial Conduct Authority ("FCA") published temporary guidance*

*regarding the provision of three-month payment holidays to eligible consumers who were experiencing difficulty meeting the payments due on their credit accounts because of financial difficulties brought about by the impact of Covid-19. The FCA guidance included that, for these three-month payment holidays only, the reporting of these payment holidays to the credit reference agencies would be suspended, so that an eligible consumer who benefited from such a payment holiday didn't have their credit file impacted by doing so.*

*When Mrs H first contacted HSBC, she was given one of these three-month FCA prescribed payment holidays which covered the payments that would have been required on the account in April, May, and June 2020.*

*On 1 July 2020, the FCA published continuing guidance, as a result of the ongoing nature of the Covid-19 pandemic, which explained that if a consumer had been granted a three-month payment holiday that had ended, if that consumer was still in financial difficulty that they should be granted a second three-month payment holiday on the same terms – that is, that interest would continue to be charged but that arrears wouldn't be considered as having accrued and wouldn't be reported to the credit reference agencies.*

*It therefore seems apparent that HSBC should have given Mrs H a second FCA prescribed three-month payment holiday in July 2020, rather than setting up the six-month arrangement that they did, where Mrs H wasn't required to make payments towards the account but where arrears were considered to have accrued when payments weren't made and where those missed payments were reported to the credit reference agencies. And I feel that it's difficult to reach any conclusion other than that Mrs H has incurred an unfair detriment by not being provided with the FCA prescribed financial support by HSBC that she should have.*

*Had Mrs H been given the second FCA prescribed three-month payment holiday, this would have covered the payments due on her account for the months of July, August, and September 2020, meaning that at the end of September, Mrs H's account would have been in a position of having no arrears with the payments on the account scheduled to resume the following month.*

*Furthermore, a third set of guidance issued by the FCA explained that consumers in the position that Mrs H should have been in here – who had had two lots of three-month payment holidays but whom might still be experiencing financial difficulty because of the impact of Covid-19 – should continue to be given ongoing financial assistance by credit providers such as HSBC following the end of the second three-month payment holiday.*

*This further financial assistance should be tailored to the consumer's circumstances at that time and wouldn't benefit from the same terms as the prior three-month payment holidays, meaning that any missed payments should be considered as the accrual of arrears on the account and reported as such to the credit reference agencies.*

*Mrs H has herself explained that her financial situation was always due to improve in December 2020, when other financial commitments were fulfilled, and that she could have resumed payments on this account in that month. And Mrs H has stated that she has made payments towards the disputed default balance from December 2020 onwards.*

*It therefore seems reasonable that had HSBC followed the FCA's guidance here, that Mrs H would have received two lots of three-month payment holidays where no arrears were considered to have accrued on the account, and should then benefited from continuing financial assistance. It's difficult not to expect that this would have involved a conversation between Mrs H and HSBC where I feel Mrs H would have advised HBC of her impending ability to resume payments in December 2020, such that some form of financial assistance should reasonably have been provided to Mrs H by HSBC for the months of October and November 2020 to facilitate this resumption of payments.*

*Importantly, in this scenario, Mrs H's account doesn't reach a state of arrears where the defaulting of that account occurs. And by not providing the FCA prescribed financial support that I have outlined above to Mrs H, I find it difficult to conclude anything other than that HSBC's actions have unfairly led to the defaulting of Mrs H's account and to Mrs H incurring the kind of damaging credit reporting in the face of the effects of Covid-19 that the FCA guidance was designed specifically to protect consumers such as Mrs H against.*

*All of which means that my provisional decision is that I will be upholding this complaint in Mrs H's favour and instructing HSBC to rework the account so as to remove all adverse reporting on the account from April 2020 onwards, including the default, and to apply all payments made by Mrs H from late 2020 onwards to reduce the balance of the account as it should have been following that reworking. HSBC must then resume administering the account on the original basis and with the original monthly payment amount.*

*I also feel that Mrs H has incurred significant distress and inconvenience because of what's happened here, and Mrs H has herself highlighted this point in her correspondence with this service. HSBC had themselves offered further compensation to Mrs H totalling £400, but this was on the basis that HSBC didn't feel that the structure of the support that they had offered to Mrs H had been problematic. Given that I do feel that Mrs H has incurred further detriment because of HSBC's not providing the type of support to Mrs H that they should have provided here, it stands to reason that I also feel that further compensation above the amount already offered by HSBC is merited.*

*As such, my provisional decision also includes that HSBC must make an increased payment of £600 to Mrs H to compensate her for the trouble and upset this matter has caused. This payment may not be applied by HSBC to reduce the balance of the account unless Mrs H gives her permission for it to do so.*

In my provisional decision letter, I gave both Mrs H and HSBC the opportunity to respond to it and to provide any comments or new information they might wish me to consider before I moved to a final decision.

Both Mrs H and HSBC did respond, with neither party raising any objections to the content of my provisional decision letter. As such, I see no reason not to issue a final decision on the same basis as outlined in my provisional decision letter, and I can confirm that my final decision is that I do uphold this complaint on that basis accordingly.

### **Putting things right**

HSBC must rework Mrs H's account so as to remove all adverse reporting on the account from April 2020 onwards, including the default, and to apply all payments made by Mrs H

from late 2020 onwards to reduce the balance of the account as it should have been following that reworking.

HSBC must then resume administering the account on the original basis and with the original monthly payment amount.

Finally, HSBC must make a payment of £600 to Mrs H to compensate her for the trouble and upset this matter has caused.

### **My final decision**

My final decision is that I uphold this complaint against HSBC UK Bank Plc on the basis explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 4 May 2022.

Paul Cooper  
**Ombudsman**