

The complaint

Mr C complains that HSBC UK Bank Plc lost a cheque he attempted to pay into his account and then failed to assist him when he had a cashflow problem.

What happened

HSBC have an arrangement with a third party business which allows their customers to pay cheques into their account at the other business's premises.

Mr C used that facility to deposit a cheque of over £3,000, which was then lost. The money didn't appear in Mr C's account.

Mr C contacted HSBC to ask them for help to cover the temporary loss of the £3,000+. They told him he could extend his overdraft, extend a personal loan he'd already taken out, or take out a new personal loan - and in each case, that would be subject to the usual checks being carried out beforehand.

Mr C extended his existing personal loan (of just over £12,000) - by more than £9,000. He says he felt under pressure to do this. And he thinks HSBC should have been more flexible in the ways they offered to cover his cashflow problem.

Mr C complained to HSBC about the loss of the cheque and the way things were handled when he reported the problem - and about the fact he'd had to increase his existing loan.

HSBC apologised for losing the cheque. And admitted they could have handled Mr C's complaint about that better. They said they'd mistakenly closed down Mr C's complaint at one point, which led to delays and poor customer service.

They offered Mr C £450 for his trouble and upset. They added £30 to cover petrol expenses Mr C had incurred when he was raising the issue. And they said they'd pay back the interest on the part of his increased loan which covered the £3,000+ which had gone temporarily missing. This amounted to just over £330, which HSBC rounded up to £350.

Mr C wasn't happy with this and complained to us. He wants HSBC to offer him the full extended loan at a lower rate of interest which normally applies to smaller loans. Our investigator looked into it and thought HSBC had already done enough to put things right.

Mr C disagreed and asked for a final decision from an ombudsman.

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.

Losing Mr C's cheque amounts to poor customer service - and HSBC have admitted this was entirely their responsibility.

This was exacerbated by the particular circumstances. Mr C had to ask a recently-bereaved client to cancel the cheque and issue a new one.

And HSBC have admitted they made errors in the way Mr C's enquiries and complaint were handled.

So, I can understand Mr C's frustration and annoyance. I also understand the inconvenience and stress he suffered as a result of not having the £3,000+ available to him for a period of time.

I don't think £450 is an unreasonable amount of compensation for that level of trouble and upset. And I think HSBC reasonably agreed to cover Mr C's petrol expenses.

Mr C wanted HSBC to temporarily extend his overdraft to cover the £3,000+. They explained that they couldn't extend it temporarily and they'd have to do the necessary checks that the lending was appropriate. This is not only fair and reasonable, but not to carry out the usual checks would amount to irresponsible lending.

They also fully explained Mr C's alternatives. Having taken the time to consider these, he decided to extend his existing loan. He actually extended it by around £9,000, rather than just the amount to cover the missing cheque (£3,000+). And he's told us he used the extra money to pay off a loan with a third party at a higher rate of interest.

HSBC have provided the call recordings of their conversations with Mr C. There's no evidence that HSBC pressured Mr C into extending the loan. And it was clearly in Mr C's interests to extend it as far as he did so that he benefited from a lower rate of interest than he had on his borrowing with the other lender.

If having to borrow the £3,000+ to cover the lost cheque had caused Mr C financial loss, then I'd be asking HSBC to cover that. What they've already done though amounts to giving Mr C an interest free loan to cover the amount of the lost cheque.

As for the implications of Mr C further extending his existing loan by the additional £6,000, I'm satisfied that's not HSBC's responsibility. And in any case it appears to me Mr C made a logical and sensible decision to extend the loan and pay off his debt with the other lender, given the lower rate of interest.

HSBC's interest rates go up when a loan is over £15,000. Mr C extended his loan from over £12,000 to around £22,000. He wants HSBC to give him the whole extended loan at the rates offered for loans under £15,000, because covering the missing £3,000+ tipped his lending over £15,000.

I'm afraid I don't agree with that logic. If he had additionally borrowed only the amount of the cheque - and that took him above the £15,000 limit, I would agree with Mr C. In fact, he chose to take another £6,000 - which was to his clear advantage - and that alone would have taken his lending over £15,000.

So, in summary, I'm satisfied HSBC have acted fairly and reasonably in effectively charging no interest on the amount borrowed to cover the missing cheque. And I'm satisfied their offer of compensation for Mr C's trouble and upset is fair and reasonable.

My final decision

For the reasons set out above, I don't uphold Mr C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 28 February 2020.

Neil Marshall
Ombudsman