

The complaint

Mrs B and Mr N are business partners. They complain that HSBC UK Bank Plc unfairly recalled a Bounce Back Loan and closed their bank account. They're also unhappy with delays in obtaining the loan initially and that the bank set up a voice identification service without consent.

Mrs B and Mr N are represented in bringing their complaint by Miss N.

What happened

Mrs B and Mr N held a business account with HSBC and applied to the bank for a Bounce Back Loan on 20 May 2020.

Having not had a response from HSBC, Mrs B called to chase things up on 17 June and the bank escalated the request as a complaint. In its response of 4 July, it said that high demand for the lending under the Government Scheme had caused some delays – but that the application had been received and would be processed as soon as possible.

Still awaiting a response, Mrs B called HSBC again on 7 September and again the matter was escalated as a complaint. The bank said that the loan application had been made on behalf of a different legal entity to that of the accountholder – in short, the account was in the name of Mrs B and Mr N as a partnership, but the business had been referred to as a sole trader in the application. So HSBC said they'd need to reapply.

Mrs B and Mr N reapplied but unbeknownst to them, HSBC cancelled the application as a duplicate. After Mrs B followed up again in November, this was clarified and a further application was made on 16 November. This was approved and a loan of £20,000 was drawn down the following day.

In response to a further complaint from Mrs B and Mr N, HSBC apologised for the way it had handled their application and for the delays caused. The bank also upheld a separate complaint from Mrs B about being registered for a voice identification security measure. It said that a system issue had opted-in some customers without consent – so to put things right, it opted Mrs B out of the service and paid £50 for the inconvenience caused.

On 24 December 2020, HSBC carried out a review of Mrs B and Mr N's account and restricted their access while it did so.

Following the review, HSBC decided to end its relationship with Mrs B and Mr N. The bank wrote to them on 19 January 2021 to advise that it would be closing their account in two months' time. It also terminated the Bounce Back Loan facility and demanded its immediate repayment.

Mrs B and Mr N complained to HSBC about the closure of its facilities, but the bank maintained its decision. It said it had acted in accordance with the applicable terms and conditions and its internal policies when taking the actions it had.

As Mrs B and Mr N remained unhappy with the bank's actions and the level of compensation paid for the errors it had already accepted, Miss N referred the matter to us on their behalf.

HSBC subsequently offered to pay Mrs B and Mr N compensation of £150 for the problems they'd experienced in making the initial Bounce Back Loan application.

One of our investigators reviewed the complaint and thought HSBC's offer was a fair way to put things right. She said, in summary, that:

- The delay in processing the Bounce Back Loan application initially had been partially outside of the bank's control – given the unprecedented volume of applications it was dealing with and as there was a discrepancy between some of the information submitted and the bank's records. But it had still taken longer than necessary to process Mrs B and Mr N's application after they reapplied in September. For the stress and worry this had caused them, she thought £150 was fair compensation.
- HSBC had already taken appropriate steps to rectify the error in registering Mrs B for the voice identification measure without consent.
- HSBC had a number of legal and regulatory obligations to fulfil and, to do so, it was entitled to restrict and review accounts in the manner it had here. It had complied with the terms and conditions of Mrs B and Mr N's account in taking these actions and when closing the account, and wasn't required to explain its reasons.
- The decision to terminate the Bounce Back Loan facility had also been made in line with the applicable terms and conditions. The loan was cancellable in certain circumstances and she thought it was reasonable for HSBC to terminate the agreement based on the outcome of the bank's review.

Miss N didn't accept our investigator's view and asked that an ombudsman review the complaint, so it was passed to me to decide.

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've reached the same conclusions as our investigator and for broadly similar reasons. I'll explain why.

Delays with the initial application

The first application that Mrs B and Mr N made in May 2020 was always going to be unsuccessful. Having looked at a record of the application, I can see that they made an error in saying that the legal status of their business was a sole trader, when in fact it was a partnership. So a further application would always have been required.

This was only made clear to Mrs B and Mr N in September, after they raised a complaint. Applications were expected to be assessed within a matter of days. And so, even accepting the unprecedented level of demand that HSBC was dealing with, I think this delay in moving things forward was unreasonable.

There was then a further delay of two months to process the second application and draw down the loan. HSBC's records indicate this is because it initially cancelled the second application as it mistakenly thought it was a duplicate of the first – and didn't notify Mrs B

and Mr N, so they were unaware that they'd need to reapply again until they chased things up in November.

Mrs B had to make a number of calls to HSBC to follow up on the matter and I can see that it will have caused her and Mr N additional stress and worry during an already difficult time. So it's right that HSBC compensates them for this. In that respect, I'm pleased to see that HSBC has apologised and, since the matter was referred to us, offered to pay them £150 compensation. I think this is a fair way to put this aspect of the matter right, so I'm not requiring the bank to do anything further.

Registration for voice identification

HSBC has already accepted that it made an error in registering Mrs B for its voice identification security measure without her consent. Once it was alerted to this, it took steps to rectify the situation swiftly – by opting Mrs B out of the service, apologising, and paying her £50 compensation.

While I recognise that Mrs B will have been concerned at such actions being taken without her consent, I think the bank took reasonable steps to put things right and I don't think it needs to do anything more.

The review, restriction and closure of the bank account

HSBC has a number of legal and regulatory obligations to meet in providing banking services to its customers. Banks are required to keep accounts and their use under review, and may need to suspend access or services in order to do so.

The terms and conditions of Mrs B and Mr N's account allowed HSBC to suspend its services. HSBC has explained that it did so in order to comply with its regulatory obligations. From the information I've seen, I'm satisfied that this was the case. And while I can understand why Mrs B and Mr N were unhappy at the lack of information they received about the review, HSBC wasn't required to give them notice or explain its reasons.

I've noted Mrs B and Mr N's concerns as to the bank's motivation for closing their account and their points around issues in completing a safeguarding review. While it wouldn't be appropriate for me to disclose the reasons for HSBC's decision, I can reassure Mrs B and Mr N that it was not the result of any administrative problems with the safeguarding review.

As I've not found that HSBC did anything wrong in undertaking the review or applying the restriction to the account, it follows that I don't think the bank is responsible for any impact these actions might have had on Mrs B and Mr N or their business.

Following the review, HSBC decided to withdraw its services from Mrs B and Mr N. That was a decision it was entitled to make. It proceeded to close the account in line with the applicable terms and conditions, by providing Mrs B and Mr N with 60 days' notice of the account closure. Again, the bank isn't required to explain the reasons for its decision and I can't fairly require that it share any more information on this than it already has.

The termination of the Bounce Back Loan facility

HSBC's review also led it to terminate Mrs B and Mr N's Bounce Back Loan facility. The terms and conditions of the loan allowed the bank to cancel the facility and demand immediate repayment of the loan in certain circumstances. I'm satisfied that it was reasonable for the bank to do so here, in light of the findings of its review.

I understand Mrs B and Mr N find this decision hard to accept as HSBC didn't give any other reason for it than the outcome of its checks. But again the bank isn't required to explain its rationale in any more detail than this and I can't fairly require it to do so.

I also note that Mrs B and Mr N wanted to know if there were any circumstances in which they could apply for another Bounce Back Loan elsewhere. The Loan Scheme has now ended, but this was never going to be possible even if Mrs B and Mr N banked elsewhere and/or repaid the loan in full. Under the Loan Scheme rules, only one loan was permitted per business – and even though it was subsequently terminated, Mrs B and Mr N had obtained a loan and were not, therefore, eligible to another.

Lastly, I understand from what Miss N says that since raising this complaint, Mrs B and Mr N have repaid much of the outstanding loan balance but encountered problems in making the final payment needed. That has rightly been raised as a separate complaint for HSBC to investigate, so I've not looked into it when reviewing this complaint and make no further comment on it here.

My final decision

For the reasons set out above, I uphold this complaint and require HSBC UK Bank Plc to pay £150 compensation to Mrs B and Mr N.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B and Mr N to accept or reject my decision before 20 April 2022.

Ben Jennings
Ombudsman