

The complaint

Mr S complains that HSBC UK Bank Plc wouldn't provide the same overdraft facility when he converted his joint account to a sole account.

What happened

Mr S said he was given a court order as part of his divorce that ordered him to take full responsibility for the joint account overdraft of £30,000. Mr S said he asked HSBC to apply the overdraft facility on conversion from the joint account to a sole account. But they didn't agree. He complained to HSBC.

HSBC said that on conversion to a sole account Mr S didn't meet their lending criteria for the overdraft facility he requested. They suggested he went to his branch to discuss a reduction plan for the outstanding overdraft from his joint account. Mr S said he'd already spent four hours in his branch and had already put forward a proposal for reducing the overdraft.

After further discussion Mr S said he'd agreed to paying £15,000 to reduce his overdraft, and monthly repayments to settle the remaining amount. But he wasn't happy about the delays and difficulties he'd experienced. He referred his complaint to us. HSBC offered Mr S £100 to compensate for the trouble and upset caused to him.

Our investigator said that it wasn't for us to consider HSBC's lending criteria. But there had been unnecessary delay in reaching a resolution which had caused Mr S some trouble and upset. And the agreed resolution was similar to a proposal put forward by Mr S earlier in the process. He said HSBC's offer wasn't enough for the trouble and upset caused to Mr S and he asked them to pay Mr S £250 to compensate him.

Mr S didn't agree, he asked for his overdraft facility to be reinstated, an apology from HSBC. And for HSBC to write and publish a process for handling similar issues. He asked for an ombudsman 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.

I realise this will be disappointing to Mr S but, having done so, I find that I agree with the investigator and for broadly the same reasons.

Mr S has asked that HSBC write and publish a process for situations such as his. I can completely understand why Mr S was frustrated when he'd been ordered by a court to handle the £30,000 overdraft. And that he felt HSBC weren't helping him in trying to sort the situation out. I understand that Mr S would like HSBC to change the way they work so this doesn't happen to him or anyone else again. But I should first explain that I'm not able to change the way HSBC work in general. That would be for the regulator, the Financial

Conduct Authority (FCA) who regulate banks and their processes, and who look at things more generally. My role is to resolve individual complaints, so I've thought carefully about what's happened here.

In February 2021, Mr S asked HSBC for the same overdraft facility when he was converting his joint account to a sole account. Mr S said he'd been a customer of HSBC's for over 30 years. And that HSBC hadn't brought to his attention any concerns about the joint account overdraft facility. So, I can understand his disappointment when HSBC didn't simply transfer the facility but declined his overdraft request on conversion to a sole account.

Most lenders make it clear in the terms and conditions that overdrafts are for short term emergency borrowing needs, as this is often an expensive form of credit, particularly where the account remains overdrawn for significant periods of time. Overdrafts aren't intended for, or an appropriate means of, long term borrowing. And any overdraft is repayable on demand.

So, when Mr S requested the same overdraft, I'd expect HSBC as a responsible lender to consider whether the borrowing was affordable and sustainable for him. And this would depend on several factors such as financial history, current situation and whether there are any indications of vulnerability or financial difficulty. Consideration should also be given to the amount, type and cost of credit. As an overdraft is a form of short-term lending, I'd expect HSBC to make sure they didn't lend irresponsibly. I can see HSBC considered the overdraft balance as being at a high level - £30,000, and that it had been at this level for around 12 months. As, HSBC could at any time ask Mr S to repay the full overdraft balance they considered the amount and timeframe that would be needed to clear the overdraft balance as being too high. So, the overdraft facility was declined.

I can see at this time Mr S proposed paying £15,000 to reduce the outstanding overdraft amount, he was told his proposal would be considered. And this is where I think Mr S felt let down by HSBC. He'd made it clear that he'd to cover the £30,000 overdraft balance as part of his divorce and he'd a court order to this effect that needed to be complied with within 10 days. This must have been a very stressful time for him. And I can see from HSBC's records that they knew about the court order. I can also see from their records that Mr S didn't get a single point of contact but was referred to a variety of departments, who he said weren't able to help. So, I can understand how frustrating and worrying this would have been for Mr S.

It wasn't until mid-March 2021 after Mr S continued to try to get the matter resolved that his situation was progressed, and a solution offered. This being for him to pay off £15,000 of the overdraft, retain the remainder as an overdraft but with an agreed repayment plan for settlement. A not too dissimilar option to the one Mr S suggested a month earlier.

I know Mr S would like his original overdraft facility reinstated but I don't think HSBC has acted unfairly or unreasonably in the actions they have taken, as I think they were acting as a responsible lender. But I do think they could have made the situation less stressful for Mr S by understanding his specific needs and referring him to the right area.

I know Mr S isn't looking for a monetary compensation but wants to prevent anyone else being put into this position. But the delays and stress Mr S experienced did cause him trouble and upset so I agree with our investigator that HSBC should pay Mr S £250 for this. And I hope HSBC will have learned something from Mr S' difficulties going forward.

My final decision

I partially uphold this complaint. And ask HSBC UK Bank Plc to pay Mr S £250 for trouble and upset.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 30 March 2022.

Anne Scarr
Ombudsman