

The complaint

A partnership I'll call 'T' complains that HSBC UK Bank Plc unfairly declined its application for a Bounce Back Loan (BBL).

The complaint is brought on T's behalf by one of the partners, Mr P.

What happened

T had a business account with HSBC. It applied for a BBL in July 2020, but despite Mr P chasing for updates, the bank didn't respond until October when it sent the facility offer letter.

When HSBC received the signed offer letter back from T, it completed further checks and decided that the partnership didn't meet the BBL Scheme eligibility criteria as it hadn't been trading on or before 1 March 2020. The bank also said it couldn't see evidence of the annual turnover figure Mr P had declared. So HSBC declined T's application.

HSBC said it didn't think Mr P had made an accurate declaration on T's BBL application and therefore it had exercised an event of default in line with the terms of the offer letter and terminated the agreement. Mr P didn't think this was fair and made a complaint. But HSBC maintained its decision and said it wouldn't consider any further application from T. So Mr P asked this service to look into the matter.

Mr P says that T had been trading on 1 March 2020 but using his personal account for its transactions as T's income was mostly from cash payments and the business account didn't have a debit card. He's also unhappy that HSBC didn't ask him for any evidence to support T's application.

Our investigator recommended the complaint be upheld. He thought that HSBC could have asked Mr P more clearly to provide supporting evidence showing that T was trading prior to 1 March 2020. He also thought the bank's reasoning for declining the loan was unclear and that it had taken too long to assess T's BBL application. So he recommended that HSBC pay T £300 compensation. However, he thought it was reasonable for HSBC not to provide T with a BBL as the bank couldn't evidence it was trading through either the business account or Mr P's personal account.

HSBC accepted the investigators view, but Mr P didn't. He said it shouldn't matter which account T was trading through and that the partnership should be given the BBL as this was a government scheme. So he asked for an ombudsman to review his complaint and the case has been 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.

Applicants had to meet certain criteria to be eligible for a BBL. This included the requirement to have been carrying on business on 1 March 2020, and that the amount borrowed be no

more than 25% of their annual turnover. In addition to these criteria, there were checks that had to be made - with some discretion for lenders to have the final say as to whether to approve the loan.

When Mr P returned the signed offer letter, HSBC reviewed T's entitlement to the BBL. The bank concluded that T wasn't eligible as it couldn't see that the partnership had been trading prior to 1 March 2020, and it couldn't verify the annual turnover figure of around £42,000 which Mr P had declared on T's application was accurate. I think HSBC's position was reasonable because:

- There were no transactions going through T's own account
- Mr P says that he was using his personal account for business purposes as T's business account didn't have a debit card. He feels HSBC should have looked at this account instead. There was no requirement on the bank to do this, particularly as applications needed to be processed quickly. In any event, HSBC has told us it looked at Mr P's personal account statements, and it wasn't satisfied that they showed T met the Scheme criteria either. They show varying amounts of cash deposits, but these deposits also don't add up to the turnover figure Mr P declared. Mr P also hasn't provided any supporting documents to evidence what these payments are for and how they relate to T.
- Mr P has also provided a tax return and a copy of his business rates to show he was trading on 1 March 2020. But even if I accept that T was trading on this date, I think HSBC reasonably concluded that there was insufficient evidence to support the turnover figure Mr P had declared – as this wasn't for the date in question – and didn't correlate to the cash deposits through the account.

Mr P is unhappy that HSBC withdrew the BBL having decided T was ineligible after the loan offer had been signed and returned. But lenders were entitled to keep things under review even after a loan offer had been issued and, ultimately, wouldn't be expected to provide facilities to applicants that were considered ineligible. HSBC had the power to terminate the agreement in certain circumstances, which included if any of the information used to apply for the loan was materially misleading or incorrect – which the bank reasonably believed was the case with T's application.

I don't think HSBC did anything wrong in reviewing T's eligibility after the BBL offer had been issued or declining the application at this point. As the agreement had been entered into, the bank exercised an Event of Default to terminate it, as it was entitled to. However, T hadn't actually received the BBL so this process - and the way the bank explained it - was unclear. I think it would have been clearer had the bank simply said it didn't think that T met the Scheme criteria - which would have prevented Mr P making further calls from trying to understand HSBC's decision.

I've also looked at the time it took HSBC to decide to decline T's application and I don't think this was reasonable. The BBL Scheme was designed so that businesses affected by the Coronavirus pandemic could access finance quickly. However, I can see that it took the bank three months to send out the offer letter and a further two months to decline T's application - despite Mr P repeatedly chasing the bank - which I don't think was reasonable.

Overall I think HSBC caused inconvenience to T because it took too long to make its decision to decline the BBL application. And when the bank finally made this decision, it didn't explain clearly enough why it had come to this conclusion – meaning Mr P spent time chasing HSBC for further information behind its decision. So I think the bank should pay T £300 compensation for the inconvenience caused by its actions.

My final decision

My final decision is that I uphold this complaint. I instruct HSBC UK Bank Plc to pay T £300 for the inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask T to accept or reject my decision before 13 June 2022.

Jenny Lomax
Ombudsman