

## **The complaint**

A limited company, which I'll refer to as "S", complains about how HSBC UK Bank Ltd handled its application for a Bounce Back Loan.

S's director, Mr G, brings the complaint on its behalf.

## **What happened**

S applied for a Bounce Back Loan in August 2020. On 7 October, S was sent a loan agreement to sign and return which it duly did on the same day.

After signing S's loan agreement, Mr G continued to chase HSBC for an update on when S's Bounce Back Loan would be drawn down. During several telephone conversations he was assured that S's application was progressing but, having heard nothing, Mr G began to raise complaints on S's behalf.

HSBC's responses to these complaints were generally brief and, in summary, reiterated that S's application was still progressing. The bank also highlighted the sheer number of applications that it was working through.

Mr G continued to call, and he was provided with the same information: the bank had received unprecedented demand for borrowing, but Mr G could be assured that S's application was progressing.

Ultimately, though, S still didn't receive its Bounce Back Loan.

In November, HSBC informed Mr G that – following a review – S's application for a Bounce Back Loan had now been declined. So, the bank's offer to facilitate a loan was withdrawn.

Mr G complained about the bank's decision. In response, HSBC said it had acted in-line with its policy. Although, it didn't explain exactly why S's application had now been declined.

Mr G contacted HSBC again on 11 December. He explained that his business was reliant on the Bounce Back Loan; he'd promised stakeholders that he'd be able to meet financial commitments, based on HSBC's repeated assurances that S's application had been approved. Mr G also explained that he'd travelled to Germany, for business reasons, believing that the loan was coming. Now the decision to offer S a Bounce Back Loan had been reversed, he was alone and stuck in Germany with no available funds.

Shortly after speaking with HSBC in December, Mr G contacted our service. He told us how HSBC's actions had taken a significant toll both on his business and on him personally. Mr G also described the steps that he'd had to take to survive in Germany, borrowing money from several people that he already knew or had recently met.

An investigator here looked at what had happened and, overall, he didn't think HSBC had treated S fairly or that it had done enough to put things right. In summary, our investigator

found that:

- Mr G had indeed signed an agreement and been told that S's application was progressing. But even so, the bank was entitled to review applications and – upon reviewing S's – it determined that S didn't meet its criteria. Looking at the information upon which HSBC had based its decision, its decision was reasonable.
- Reliance on the Bounce Back Loan funds, without S ever being in receipt of the money, didn't come without risk.
- While it's not in dispute that Mr G did receive several assurances that S's application was progressing, there was never any confirmation that the Bounce Back Loan itself was guaranteed and would be paid. So, HSBC shouldn't be liable for any consequences of the loan not being paid.
- Although HSBC hadn't done anything wrong in declining S's application, the bank had still caused S a considerable amount of inconvenience. Applicants were entitled to expect a decision quickly, but that hadn't happened here. And the length of time that S's application had been ongoing – around twelve weeks – was unreasonable.
- Mr G had been told on many occasions that there wasn't anything to be concerned about. And this had, quite understandably, reassured Mr G that everything was progressing smoothly. In fact, S was never guaranteed a Bounce Back Loan – and the lack of any tangible updates had created a sense of expectation which, ultimately, led to significant disappointment.

In conclusion, while HSBC's decision not to offer S a Bounce Back Loan wasn't unreasonable, our investigator didn't think that the bank had handled S's application at all well.

While the complaint was with our service, the bank accepted it could've dealt with S's application better than it had done – so it made an offer to pay S £350 in compensation. But our investigator didn't think this was enough, and he asked HSBC to increase its offer to £750. The bank agreed.

Mr G, though, didn't accept our investigator's findings and he asked for an ombudsman's decision. In summary, he said:

- HSBC did not care about the "ripple-effect" of consequences which had occurred as a result of its decision to decline S's application. He'd worked very hard, only to be left alone and without support when he needed it most.
- Nobody at the bank had the courtesy to explain that there might be an issue with S's application – or that the loan wasn't ever guaranteed – in any of the interactions he'd had with HSBC. Only at the very last moment was he made aware that something was wrong, having already travelled to Germany and made promises to stakeholders based on the Bounce Back Loan funds.
- The bank should take responsibility for what had happened. His reputation and, more significantly, his health had been greatly impacted by the events. So much so that he'd experienced extreme anxiety and even thoughts of self-harm.

So, as no agreement has been reached, the complaint 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.

In support of S's complaint, Mr G has sought to raise several points and it's clear he feels very strongly about what happened. He's provided detailed submissions; I'd like to pass on my sincere thanks to him for doing so and for his continued patience. I'm also very sorry to hear of just how much this matter has affected him.

I'd also like to reassure Mr G that I have considered everything he's said and provided. But I've summarised the complaint in far less detail – and I haven't commented on everything he's raised. Instead, I've focussed on the key areas of S's complaint. I don't intend any discourtesy by this. Rather, it reflects the informal nature of this service.

Lastly, before I go on to set out the merits of S's complaint, I know Mr G finds it strange that some calls – where he says he received advice or assurances over S's application – aren't available. But I have no reason to believe that HSBC has intentionally withheld any call recordings or other evidence relevant to S's complaint.

### *S's Bounce Back Loan application*

Under the rules of the Bounce Back Loan Scheme, an applicant could borrow up to a maximum of 25% of their turnover during the calendar year 2019. When making S's application, Mr G declared that S's turnover was £250,000.

I understand from what Mr G has said that he used an estimated turnover figure when applying. But only businesses established after 1 January 2019 could use an estimate. And because S had been trading prior to this date, having been incorporated in 2018, Mr G was required to use S's actual turnover figure for the calendar year 2019. That figure was much lower than the £250,000 Mr G declared in S's application.

Mr G has said he completed S's application with help, both from a member of staff at HSBC and his accountant, and that he was told he could use an estimated turnover. But as our investigator pointed out, while it's clear that Mr G did receive help with completing his application, there's nothing to conclusively show that he was told to input an estimated turnover by HSBC. The private advice Mr G received from his accountant isn't something our service can consider as part of this complaint. All I can review here are the actions of the bank.

In any event, under the Scheme, applicants were required to self-declare their eligibility for a Bounce Back Loan. And that means that, ultimately, Mr G was the person responsible for the information provided as part of S's application. So, while I've no doubt he was acting in good faith when completing S's application, he had a duty to make sure the information that he provided was accurate.

I can appreciate Mr G's frustration that the offer was withdrawn after he'd signed an agreement on behalf of S. 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.

When the bank decided to review S's application, it wasn't satisfied that S was eligible for the Bounce Back Loan. And I think HSBC's conclusion was reasonable because, from what I've seen, S's 2019 turnover amounted to far less than what had been declared in its application – meaning it didn't meet the necessary criteria. So, overall, I'm satisfied that HSBC was entitled not to offer S a Bounce Back Loan.

Having said that, I don't think HSBC was ever clear enough with Mr G about exactly why S's application was declined. I've no doubt that lack of clarity only exacerbated Mr G's strength of feeling that S was being treated unfairly. And I think HSBC could've done more here to help him understand why it had made its decision.

### Mr G's actions

Mr G has said he decided to travel to Germany because of the assurances he received from staff during lots of phone calls, that S's Bounce Back Loan would be paid. He believes it's the fault of the bank that he found himself alone in Germany with no available funds, once the Bounce Back Loan didn't materialise, making it necessary to borrow money from acquaintances.

There are a significant number of telephone calls between Mr G and HSBC. So, I won't go into the detail of each and every one here. Instead, I'll focus on what I consider to be the overarching key points.

From what I've heard in the call recordings, for the most part, Mr G was provided with generic updates. To summarise, Mr G was often told: S's application was progressing, it had been escalated to managers, and the bank would be in touch once there's some further news.

But on some calls, he was also given more complete information – such as an estimated draw down date for S's Bounce Back Loan. This detail, though, ultimately proved to be inaccurate.

I can appreciate that staff at the bank would've only been trying to help Mr G, and information available to them may have been limited, but that doesn't change the fact that the lack of certainty would've been unhelpful and inconvenient. Additionally, during Mr G's calls to the bank there never appeared to be any real cause for concern. So, I understand why Mr G expected S's Bounce Back Loan to be drawn down soon based on what he was being told.

As our investigator has explained, though, it's fair to say that the more specific updates were still caveated in some way by HSBC's staff. When referring to the possible draw down date they frequently used expressions like "*should be...*" and "*looks like...*" and they also encouraged Mr G to call back if he hadn't heard anything in a few days. So, on balance, I don't think anything said during these calls amounted to any kind of guarantee.

Moreover, I can't fairly conclude that relying on money which hadn't been made available wasn't without risk. The fact is, despite being told that S's application had been progressing for quite some time, there hadn't ever been any sign of the money. And even though Mr G was being told S's application was still working its way through HSBC's process, crucially, I can't ignore that he was fully aware throughout that the loan hadn't been drawn down.

In my view, I think there was an inherent risk in relying on Bounce Back Loan funds which hadn't been drawn down. And while I understand why Mr G interpreted what he was being

told in the way that he did, I don't think the bank ever provided a cast-iron promise that S would receive its Bounce Back Loan. Instead, I think it only ever reassured Mr G that the *application* was still being worked through.

So, with all of that in mind, I can't fairly say that HSBC are ultimately accountable for the consequences of S not receiving the money. And it follows that I don't think the bank should cover the costs Mr G has said he incurred.

### *The level of service HSBC provided*

I certainly think that HSBC could've handled S's application much better than it did.

While I know the bank was experiencing significant operational challenges at the time, it still took around three months for it to reach a decision: S's application was made in August, and the first indication that it would be declined came in November. I think S was entitled to expect a much quicker response than that, as envisaged under the Bounce Back Loan Scheme. And I'm satisfied that S should be compensated for the inconvenience it experienced here.

I also think HSBC's communication with Mr G could've been much clearer. In particular, I think the bank had ample opportunity to explain – on one of the many occasions that Mr G called – that S wasn't guaranteed, or entitled to, a Bounce Back Loan.

That didn't happen. And there was never an indication given to Mr G, until after lots of correspondence and three months on from applying, that S's Bounce Back Loan application had been declined. So, I can surely see why Mr G feels let down by the bank – given he simply wanted a straight answer one way or the other.

Our investigator recommended that HSBC increase its offer of compensation to £750, the bank agreed. And, in all the circumstances, I think that's a fair and reasonable amount to reflect the inconvenience S was caused. But Mr G doesn't agree, he thinks the bank's actions had a far wider impact – in particular, to him personally. And he told our investigator of the pain, anger, and shock he'd experienced as a result of what happened.

It's clear that the whole matter has had a profound effect on Mr G. So, what I'll go on to explain here will no doubt come as a disappointment to him. Nonetheless, because Mr G has placed such weight on the personal impact of what happened – it's important that I address it and explain why I'm not able to consider that personal impact as part of this complaint.

Put simply, under our rules, Mr G isn't the complainant here – S is. So, I'm only able to assess the impact that the bank's actions had on S and not on him personally. While that may seem unfair to Mr G, given his role as director of S, the fact is that he and S are separate entities.

As such, in bringing this complaint, Mr G isn't acting in a personal capacity. Instead, he's only bringing the complaint on behalf of S. And it's on that basis that the impact to him personally isn't something I'm able to bring into consideration when deciding this complaint.

### *Overall*

I understand that what I've set out here will likely come as a disappointment to Mr G. There's no doubt that this whole episode has been extremely difficult for him and S. It's clear from what he's said that his mental health has suffered greatly as a result, and I really do hope

that things are better for him now.

In conclusion, I'm satisfied that S was caused considerable inconvenience by the bank's handling of its Bounce Back Loan application. And to that end, in the circumstances, I think £750 is a fair amount of compensation to reflect the inconvenience S experienced. So, that's what I require HSBC to pay.

### **My final decision**

My final decision is that I uphold S's complaint. I now require HSBC UK Bank Plc to pay S £750 in compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask S to accept or reject my decision before 28 October 2022.

Simon Louth  
**Ombudsman**