

The complaint

A club, which I'll refer to as "W", complains that it was unable to apply to HSBC UK Bank Plc for a Bounce Back Loan due to problems with the online application process.

W's treasurer, Mr G, brings the complaint on the club's behalf.

What happened

W is a longstanding customer of HSBC. It approached the bank in early March 2020 for a business loan to fund some repairs. The loan was approved and drawn down in late June 2020. W also borrowed additional funds from a third party around the same time.

While the loan application was pending, the government-backed Bounce Back Loan Scheme was launched in early May 2020. W wanted to apply for a Bounce Back Loan, with a view to utilising this instead of the business loan. But Mr G didn't think there was a suitable option to confirm W's entity type within the online application – while there were options for certain business entities (such as sole traders, partnerships and limited companies), there wasn't one for clubs. And when seeking advice from HSBC, he didn't receive a satisfactory answer as to how W should complete the application.

When Mr G complained, HSBC referred him to the club's accountant for guidance. Mr G did that, but the accountant couldn't advise him either.

Mr G subsequently referred the matter to us. He said the only option presented to date was to define W as a partnership – but it was not, and Mr G was concerned that doing so would be fraudulent. So he wanted HSBC to facilitate W's Bounce Back Loan application. And as the Bounce Back Loan had a 12-month interest free period, he thought HSBC should reimburse W for the interest it would pay over that period on the two loans it had obtained instead.

One of our investigators reviewed W's complaint and thought it should be upheld in part. In summary, she thought the workaround solution that HSBC had proposed – that W apply as a partnership – was reasonable. But she thought it had taken the bank too long to propose this, putting W to some inconvenience as a result, for which she recommended it pay £200. She didn't think HSBC needed to compensate W for the interest it was paying on its loans, as this wasn't a consequence of being unable to access the Bounce Back Loan (and for which there was no guarantee W would've been approved).

HSBC accepted our investigator's view, but Mr G didn't. He still didn't think that applying as a partnership was a viable solution. This was because the application said that the personal assets of partnerships may be at risk if the repayments weren't maintained – and that submitting inaccurate information could lead to criminal prosecution for fraud. And he said that W would've obtained the Bounce Back Loan if it could've applied, so the bank was responsible for the losses it had suffered in having to borrow elsewhere instead. As well as the additional interest, this included delays in getting that borrowing – which had in turn caused delays in completing the repairs and reopening the club, leading to a loss of income.

With no resolution, the complaint was passed to me to decide.

My provisional decision

As my initial conclusions differed from those of our investigator, I issued a provisional decision to both parties last month to invite any further submissions they wished to make before I made a final decision.

In summary, I said:

- There were shortcomings in HSBC's application process that had prevented W from applying to the bank for a Bounce Back Loan. Clubs were entitled to apply for borrowing under the Bounce Back Loan Scheme and HSBC hadn't said that it wasn't accepting applications from them for any reason. So there was no reason why W shouldn't have been able to submit an application to HSBC at the time it attempted to do so.
- At the time W was trying to apply, HSBC's application process didn't include an appropriate entity type for the club to select. It wouldn't have been appropriate for W to declare itself to be any of the other entities provided. Even if HSBC could offer some level of assurance to W that it would accept an application from it as a partnership, Mr G's reservations about making such a false declaration were justified – given the possible consequences of submitting incorrect information, and the level of personal liability that partners of a partnership were required to accept (as distinct from that of the club and those who run it). And HSBC had later amended its process, with the inclusion of "non-charitable club or association", which further suggested that something similar ought to have been available earlier.
- I appreciated the difficulties HSBC would've faced in rolling out the Bounce Back Loan Scheme – which was done at short notice and had led to unprecedented demand, all while dealing with the impact of the coronavirus pandemic – but still thought the bank should've been able to accommodate W's application sooner.
- While shortcomings on the bank's part meant that W couldn't complete its Bounce Back Loan application to HSBC when it had wanted to, I didn't think it was fair to hold the bank responsible for the losses that Mr G had described – as steps could've been taken to avoid these losses. While not ideal, I thought W could've applied elsewhere for a Bounce Back Loan when it couldn't complete its application to HSBC. And the bank had advised Mr G that it was working on an amendment to facilitate applications from clubs – which was duly implemented in February 2021. So W could then have applied – and used the Bounce Back Loan to refinance other borrowing as it intended. But it hadn't done this either. So I didn't think HSBC ought to compensate W for any additional interest paid under its alternative arrangements.
- I did, though, see that W was inconvenienced by the problems it had experienced when attempting to apply. Mr G had to follow up with HSBC on a number of occasions, making calls, sending emails and ultimately raising a complaint – despite which, the bank was unable to offer a suitable resolution. Some of the responses provided by the bank were unhelpful and led to further inconvenience. This took up a lot of Mr G's time – taking him away from W's other affairs, causing it inconvenience for which I thought HSBC should pay £300 compensation.

HSBC accepted my provisional decision, but W didn't. Mr G responded to say, in summary, that:

- It wouldn't have been possible for W to obtain a Bounce Back Loan elsewhere. An alternative lender would've queried why the club hadn't approached its existing bank. He thought the club would've failed any credit-scoring on the basis of the credit searches done by HSBC, or that the club would've been required to provide security given it would've been approaching other providers as a new customer.
- HSBC hadn't made W aware that its process had been amended so it had not known to reapply. It wasn't reasonable to expect W to have checked the bank's website daily.
- It was an understatement to say that W had been inconvenienced by the problems it had experienced. W's business loan had taken four months to complete, but I hadn't commented on this delay – which had meant the club was unable to complete its repairs in time to reopen when the coronavirus restrictions eased, leading to lost business and financial losses.

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 not reached a different conclusion to that set out in my provisional decision. I'll explain why Mr G's further points haven't led me to a different view.

While I note Mr G doesn't think W could have successfully applied for a Bounce Back Loan elsewhere, I don't agree. Lenders were providing loans to new customers and while applicants were directed to their existing account provider in the first instance, the absence of a pre-existing relationship wasn't a pre-requisite. All the more so here, given that W could legitimately point to the issue that was preventing it from applying with HSBC in the first place.

It is also not the case that a provider would've required security to be given – this was not permitted under the Bounce Back Loan Scheme rules. And Bounce Back Loan applications weren't subject to credit-scoring, so I don't think any record of HSBC's credit searches would've prevented W obtaining a loan elsewhere. It may have been necessary for W to apply for an account in order to apply elsewhere, which would likely have been credit-scored – but I don't think it likely that a credit search alone would've caused any issues in this regard.

I accept that W was unaware that HSBC had amended its process such that clubs could properly complete applications in February 2021, but still it could have checked with the bank as to whether the amendment had been implemented (given that it was aware of the bank's intentions in this regard). I don't think this meant that W had to check on a daily basis, but if it still wanted the loan then I think it is reasonable to suggest it could have checked in periodically (for example, once a month).

So I still don't think HSBC deprived W of access to the Bounce Back Loan Scheme altogether – and so I don't think it is fair to hold the bank responsible for any loss that the club may have suffered because it didn't obtain a loan under the Scheme.

I've also reflected on my proposed award of £300 for the inconvenience W was caused by the service it received in light of Mr G's further comments. Many of these relate to delays the

club experienced in receiving the business loan from HSBC. I should explain that I didn't comment on those matters because they don't relate to the Bounce Back Loan issue – which was the subject of this complaint. They relate to a separate issue altogether and one which would need to be addressed by way of a separate complaint. We have only considered matters relating to the Bounce Back Loan application, given that was the complaint originally referred to us. So if W is also unhappy with the service it received in respect of the business loan application, those concerns would need to be raised as a separate complaint.

In respect of the inconvenience W was caused by the problems encountered when attempting to apply for a Bounce Back Loan, I still think £300 represents fair compensation – so that's what I'm requiring HSBC to pay.

My final decision

I uphold this complaint in part and require HSBC UK Bank Plc to pay W compensation of £300.

Under the rules of the Financial Ombudsman Service, I'm required to ask W to accept or reject my decision before 15 March 2022.

Ben Jennings
Ombudsman