

## **The complaint**

Ms T complains that HSBC UK Bank Plc unfairly declined her application for a feeder account. She needed the feeder account in order to apply for a Bounce Back Loan.

## **What happened**

HSBC required customers to hold an account with the bank before it would offer them a Bounce Back Loan. Ms T didn't hold any accounts with the bank so, on 24 June 2020, she applied for a "feeder account". The same day, HSBC told Ms T that her application had been declined. The bank said Ms T hadn't met its criteria.

Ms T says she appealed the decision, and that she was subsequently told her appeal had been successful. She says she was then told to visit a branch with her identification documents – which she duly did. Ms T says she spent around an hour in branch completing the necessary identity checks. But, following her visit to branch, she received no further updates.

A short while later, Ms T looked online for a phone number that she could call for an update – but she saw HSBC's website advised customers not to call. So, she didn't. More time passed and, having still heard nothing, on 30 March 2021 Ms T decided to call the bank.

During the call, HSBC told Ms T that her application had never been approved and the decision to decline it still stood. The bank said there was no evidence of a successful appeal, any other follow-up applications or Ms T's visit to branch. So, Ms T raised a complaint. In response, HSBC explained that the Bounce Back Loan Scheme had now closed. It also confirmed that it had been unable to open a feeder account for Ms T.

The bank issued a further response, on 29 April, which provided some further detail. It said, in summary, that there was no evidence that the bank had agreed to overturn Ms T's application. And it apologised to Ms T that she had been asked to provide her documentation, despite her application being declined. The bank reiterated that the Scheme had now closed, and no further action would be taken.

Ms T remained unhappy, so she contacted out service for an independent review. An investigator here looked at what had happened, and he didn't think HSBC had done anything in wrong in declining Ms T's application for a feeder account. In summary, he said:

- HSBC had the discretion to decide how it would offer Bounce Back Loans to new customers. And it was reasonable to require an account to be opened first, so that the bank could complete anti-money laundering and Know Your Customer checks in line with its legal and regulatory obligations and as required under the Scheme.
- HSBC was entitled to assess applications for a new account against its own criteria. The bank had set out the checks that it would carry out in the application form.

- HSBC had fairly assessed Ms T's application. Its internal records showed that the application hadn't met the bank's criteria. And those criteria hadn't been adjusted in light of the pandemic.

The investigator did agree, though, that Ms T had been caused some avoidable distress and inconvenience. He said that – while a little unclear just what Ms T had been told regarding her appeal of the bank's decision – she had spent unnecessary time visiting a branch and providing HSBC with her identification documents. So, he thought the bank should pay her £200 compensation.

HSBC accepted our investigator's view, but Ms T didn't agree. She said that HSBC had acted unjustly, and that it had caused her a great deal of distress. Ms T said she'd been relying on the Bounce Back Loan to help with financial commitments across her business, and that the whole issue had caused her to suffer stress and anxiety which has negatively impacted her health.

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.

From what I've seen, at the time she approached HSBC about a Bounce Back Loan, Ms T was a new customer. So, like any new customer, the bank required her to open an account before she could apply for a Bounce Back Loan. And I think that's reasonable. HSBC wasn't obliged to offer Bounce Back Loans to new customers at all. And the Scheme allowed HSBC the discretion to decide how it accepts applications.

Further, by following an account opening process first, HSBC could complete anti-money laundering and Know Your Customer checks. These checks are an important legal and regulatory requirement, which were also necessary under the Scheme rules.

I've looked to see that HSBC treated Ms T's feeder account application as it would one from any other new customer. From what I've seen, there's nothing which indicates HSBC's account opening criteria was amended – or that it became more restrictive – as a result of the pandemic.

Rather, I'm satisfied that HSBC has shown it carried out its usual account opening process when it handled Ms T's application. And, on that basis, I'm satisfied it treated Ms T fairly and not any differently to another new customer. It follows that, given Ms T's application didn't meet the criteria, I don't think HSBC was wrong to decline it.

Ms T feels it was unfair of HSBC to have factored credit information into its decision, particularly when credit scoring wasn't part of the application process for the Bounce Back Loan itself.

I understand Ms T's point here, but while it's true to say that lenders weren't expected to decline applications for a Bounce Back Loan on the basis of credit-related concerns, the feeder account was a separate product. And it was, therefore, legitimately subject to different rules and requirements.

Moreover, while the purpose of the feeder account was to facilitate the drawdown of a Bounce Back Loan, HSBC still had the discretion to decide the basis upon which it would accept applications from new customers. So, it could decide the eligibility criteria for the

feeder account – including its credit-scoring requirements. And because it's up to HSBC to determine its account opening procedures and criteria, I don't think there was anything inherently unfair or unreasonable in it considering the creditworthiness of an applicant here. So, overall, I can't say the bank treated Ms T unfairly when it declined her feeder account application.

That said, while I'm satisfied that HSBC's decision to decline Ms T's application was a fair one, I do think she was caused some distress and inconvenience.

I say that because, while there's nothing definitive – from either party – to evidence exactly what happened when Ms T says she appealed HSBC's decision, I don't think it's likely that she would've visited a branch to provide her identification documents unless *something* gave her the impression that her application was progressing.

I can surely understand how that would've created a sense of expectation, which ultimately ended in disappointment. Ms T's also explained how the matter created further stress and anxiety for her, and I'm sorry to hear about the issues she's faced with her mental wellbeing. So, it follows that I'm satisfied she should be compensated.

To that end, HSBC has accepted that something went wrong, and it's now agreed to pay Ms T £200 in compensation. In all the circumstances, taking into account the wasted time spent on a trip to branch, I think that's a fair and reasonable amount to recognise the inconvenience Ms T was caused. So, that's what I require the bank to pay Ms T as resolution to this complaint.

### **My final decision**

My final decision is that I uphold this complaint. I now require HSBC UK Bank Plc to pay Ms T £200 in compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms T to accept or reject my decision before 22 August 2022.

Simon Louth  
**Ombudsman**