

## **The complaint**

Mr B complains that errors by HSBC UK Bank Plc adversely affected his ability to apply to the bank for a Bounce Back Loan.

## **What happened**

Mr B was a partner in a partnership. The partnership banked with HSBC.

Mr B's partner, Mr H, passed away in 2015. HSBC was notified and the bank initiated a review of the account with a view to its closure. But this was suspended and the account remained open.

Mr B says that the business continued to operate as a partnership and that Mr H's wife, Mrs H, took over his "share". The account, though, remained in the name of Mr B and Mr H.

In October 2020, Mr B applied to HSBC on behalf of the partnership for a Bounce Back Loan of £50,000.

HSBC declined the application as it had made on behalf of a partnership but one of the partners had passed away. The bank told Mr B in January 2021 that it was unable to proceed with the application, but didn't say why. When Mr B complained, the bank maintained its decision but again declined to specify its reasons. So Mr B referred the matter to us.

One of our investigators looked into things. In summary, she said:

- HSBC had correctly declined the Bounce Back Loan application. This had been made on behalf of the partnership between Mr B and Mr H, which had ceased to exist. And the new partnership, between Mr B and Mrs H, didn't have a relationship with HSBC as yet.
- HSBC had made errors in its administration of the account previously. It had been notified of Mr H's death back in 2015 but had then not taken appropriate action to either amend or close the account. And she thought it had been reasonable for Mr B to assume that all was in order and to continue to trade through the account.
- The position of the new partnership, between Mr B and Mrs H, had therefore been left unable to apply for a Bounce Back Loan. So to put things right, she recommended that HSBC make the necessary changes to the account and then consider a Bounce Back Loan application from Mr B and Mrs H. She also recommended that HSBC pay £300 compensation for the inconvenience it had caused.

HSBC agreed to pay the £300 compensation and it amended the account such that it now belonged to the partnership between Mr B and Mrs H. The bank was also willing to consider a new Bounce Back Loan application from Mr B and Mrs H, but when doing so said that it hadn't been provided with sufficient evidence of the partnership's turnover to verify its

eligibility for the loan amount it was seeking. So it declined to process a formal application unless further evidence was provided.

Mr B thinks HSBC has sufficient information on which to have confirmed the partnership's eligibility for the loan – being a combination of the income received into the account, some financial statements and the fact that the rules of the Bounce Back Loan Scheme allowed applicants to self-declare that they met the eligibility requirements.

Our investigator thought HSBC's position was reasonable. She thought the bank was entitled to verify the turnover figure and that the information it had requested from Mr B to do so was reasonable. So she didn't think HSBC needed to do anything more in respect of the Bounce Back Loan application, unless Mr B provided the further information it had requested.

As Mr B didn't accept our investigator's view, the complaint was 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.

Having done so, I've reached the same conclusions as our investigator and for broadly similar reasons. I'll explain why.

I think it was reasonable for HSBC to decline the Bounce Back Loan application that Mr B made in October 2020. The application was made on behalf of the partnership between Mr B and Mr H – but as the bank was aware that Mr H had passed away, it considered the partnership to have ceased and that there was therefore no eligible applicant for the loan. Given that the general legal position is that a partnership is dissolved on the death of a partner – unless there is any specific agreement to the contrary – I think HSBC's decision was reasonable.

Mr B applied using the details of the account that remained in the name of the original partnership between Mr B and Mr H. That the account remained open and unchanged was – at least in part – the result of errors on HSBC's part. I can see that the bank was notified of Mr H's death at the time and the onus was then on the bank to take whatever steps were necessary with regard to the account. It didn't follow up on this with Mr B and, if it had done, it's reasonable to assume that either a new account would've been opened or the existing account amended to reflect the new partnership between Mr B and Mrs H. Mr B could then have submitted a Bounce Back Loan application to HSBC, on behalf of the new partnership, without issue.

At the same time, I don't think it is fair to hold HSBC solely responsible for the fact that the new partnership between Mr B and Mrs H didn't have its own account through which a Bounce Back Loan application could be made. They also had a responsibility to ensure that appropriate arrangements were in place for the partnership in light of Mr H's death and I don't think it was reasonable to assume that the existing arrangements could continue unamended solely because of the unchanged HSBC bank account.

In any event, HSBC has since made the necessary changes to the account and reconsidered whether it would be willing to provide the Bounce Back Loan to the new partnership. So I don't think Mr B or the new partnership lost out – as the actions taken by the bank effectively put the parties in the position they would've been in if things had gone as they should have. Mr B was put to some inconvenience, in that he had to follow up on the declined application with the bank and ultimately raise a complaint to work out what had

gone wrong and arrange the necessary resolution. It's right that he's compensated for this and I think that £300 is fair in the circumstances.

That leaves the consideration of the Bounce Back Loan application itself. HSBC agreed to review the application on the basis that it was made by the new partnership between Mr B and Mrs H. But it was unwilling to provide the loan – or process a formal application – as it didn't think the partnership could demonstrate its eligibility. I think this was reasonable and will explain why in a little more detail.

Firstly, I note that Mr B has questioned HSBC's entitlement to verify the information provided within the application as he highlights that applicants were required to self-declare that they met the eligibility criteria for a Bounce Back Loan. But while lenders weren't obliged to verify the self-declared information provided by an applicant, they were also not prohibited from doing so. I think the checks HSBC sought to carry out on this application were in keeping with those expected under the Bounce Back Loan Scheme rules.

Under the Scheme, an applicant could borrow up to a maximum of 25% of their annual turnover – for which turnover for the 2019 calendar year was to be used. Mr B applied for a loan of £50,000, so the partnership needed to have a turnover of £200,000 to be eligible for this. HSBC wasn't satisfied, from the information available, that the partnership's turnover was at the requisite level. I think this decision was reasonable, because:

- HSBC couldn't see that this level of income had been received into the partnership's account. The credits into the account throughout 2019 were significantly lower.
- Mr B has declined the bank's request for a copy of his and/or Mrs H's tax returns. While he doesn't think that they would provide the clarification that HSBC was looking for, I think it was a reasonable request and – even if subject to further queries or explanation – one that would've helped the bank consider the question of eligibility further.
- Mr B only provided very limited evidence of the partnership's annual turnover. This included a basic income and expenditure statement, with little to support the figures provided within it.
- A property sale accounted for the vast majority of the income, but only a completion statement was provided as evidence of this transaction. I think it was reasonable for the bank – particularly in light of issues as to how the partnership was set up in recent years – to seek further verification of the details of this sale. Although Mr B said other documentation may have been available, he declined to provide it.

So I don't think it is down to an error on HSBC's part that left Mr B unable to obtain a Bounce Back Loan. I think the bank took reasonable steps to facilitate an application from him in response to the complaint and that it reviewed this fairly, in keeping with its requirements under the rules of the Loan Scheme. It follows that I'm not requiring HSBC to take any further action in response to this aspect of the complaint.

### **My final decision**

For the reasons set out above, I uphold this complaint in part and require HSBC UK Bank Plc to pay Mr B compensation of £300.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 4 April 2022.

Ben Jennings  
**Ombudsman**