

## **The complaint**

Miss V is a sole trader. She complains that HSBC UK Bank Plc unfairly declined her application for a Bounce Back Loan.

## **What happened**

Miss V was an existing personal customer of HSBC and applied to the bank for a Bounce Back Loan in February 2021.

HSBC required customers to hold a business relationship with the bank before it would offer them a Bounce Back Loan – meaning that personal customers, like Miss V, had to open either a feeder account or business current account before they could apply for a loan.

When completing her loan application, Miss V incorrectly stated that she already held a business current account with the bank. So the application proceeded on this basis, without requiring her to apply for a business account as required.

HSBC reviewed Miss V's application but declined it. When explaining its decision, the bank said she wasn't eligible to apply as her business had started after 5 April 2019.

Miss V didn't think this was correct and thought she met the eligibility criteria for a Bounce Back Loan, so she raised a complaint. But HSBC maintained its position, so Miss V asked us to look into things.

One of our investigators reviewed the complaint and thought it should be upheld. He said, in summary, that:

- HSBC should've spotted that Miss V had made an error in her application and redirected her to apply for one of the accounts she needed in order to apply for the loan.
- HSBC hadn't clearly explained to Miss V why her application had been declined, particularly as the Bounce Back Loan Scheme eligibility criteria required applicants to have been trading from 1 March 2020 and not 5 April 2019 as the bank was saying.
- To put things right, HSBC should allow Miss V to reapply for the requisite account and then, if successful, consider an application from her for the Bounce Back Loan. He also thought it should pay Miss V compensation of £100 for the confusion caused by the way it had handled things.

Miss V accepted our investigator's view but HSBC didn't. The bank said it had correctly declined Miss V's application, which was incorrect due to an error on her part. It said the bank wasn't obliged to check or discuss that with her any further than it had. And it didn't think things would've turned out any differently even if Miss V had applied for one of the requisite accounts, as this would've been unsuccessful for the same reason that her loan application failed.

So 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 on Miss V's complaint earlier this month and invited both parties to respond with anything they wanted me to take into account before I made a final decision.

I said:

HSBC required customers to hold a business relationship with the bank before it would consider an application from them for a Bounce Back Loan. Miss V didn't have such a relationship – she only held a personal account with the bank. But when completing her application, she incorrectly ticked a box to say that that she did – when she ought to have selected an alternative option to indicate that she held only a personal account and would therefore need to discuss becoming verified as a business customer.

This error alone meant that the initial application was always going to fail. Miss V wasn't eligible to even apply to HSBC for a Bounce Back Loan – as she needed to open a business account first.

HSBC wasn't obliged to follow up on the application and point out to Miss V where she had gone wrong. But it did respond to Miss V and, when doing so, confused matters somewhat by saying that she was ineligible as she'd started trading after 5 April 2019. This wasn't listed in the core Bounce Back Loan Scheme eligibility criteria, so Miss V understandably sought to challenge the bank's decision on this basis. It would've been clearer and more helpful simply to advise Miss V of her error – which would likely have prompted her to reapply for one of the requisite accounts.

Ultimately, though, I don't think this really affected things – because when reviewing Miss V's application, HSBC considered whether she was eligible for a business account and declined it on the basis that she wasn't. So the bank assessed Miss V's application as if it had been properly completed anyway.

HSBC says – and has evidenced – that its criteria for a business account required the applicant to have been trading on or before 5 April 2019. This was to be verified by the provision of a tax return. While this may have differed from the core eligibility criteria of the Bounce Back Loan Scheme, the bank account was a separate product – and therefore legitimately subject to different requirements, at HSBC's discretion. In short, it remained up to the bank to decide who it wished to offer accounts to. And I don't think its criteria were unfair. They reflected expectations within the Loan Scheme rules as to how lenders would verify applicants applying through a personal account.

Taking all of this into account, I don't think Miss V was ever going to be successful in her application to HSBC for a Bounce Back Loan. She would always have needed a business account, but didn't meet the bank's eligibility criteria for one.

However, as noted above, I do think HSBC caused some avoidable confusion. While it wasn't obliged to explain the basis of its decision, it did so – but unclearly. This engaged Miss V in further contact and correspondence about the matter than ought to have been necessary. And I can see how it would've been frustrating and added to

what was already a stressful time for Miss V. So for this, I think HSBC should pay her compensation of £100.

HSBC and Miss V accepted my provisional decision.

### **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, and with both parties having accepted my provisional decision without any further comment, I've not seen any reason to reach a different conclusion. So this final decision simply confirms my provisional findings as set out above.

### **My final decision**

I uphold this complaint in part and require HSBC UK Bank Plc to pay Miss V compensation of £100.

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

Ben Jennings  
**Ombudsman**