

The complaint

L, a limited company, complains that HSBC UK Bank Plc increased the interest rate on its overdraft, didn't respond to its questions about this and delayed a refund of the fee.

What happened

L had an existing overdraft with HSBC. It received a letter about the renewal in October 2020 which set out that the interest margin would be more than doubled. L contacted HSBC and was told that the branch had no discretion. L didn't receive an answer from the central team before the overdraft was renewed and a fee of £375 charged. L wasn't satisfied with the lack of any explanation and the delay in communication from HSBC. The overdraft has now been cancelled and the fee returned.

HSBC said it had made a commercial decision to increase the interest rate and wouldn't be negotiating about that. It had offered to refund the fee and pay L £50 for the inconvenience caused.

Our investigator recommended that HSBC pay L a total of £200 in compensation. Although the branch had said it would refer L's query to the central team in November 2020, this didn't happen. L had continued to contact HSBC and didn't receive any answer before the fee was charged and the overdraft renewed. On 11 February 2021 HSBC had issued a final response stating that the rates couldn't be negotiated. L further complained that the fee had already been charged. On 30 June 2021 HSBC said that L could cancel the overdraft and receive a fee refund and a return of the director's personal guarantee. It offered compensation of £50. L wrote on 4 October 2021 and said it had been unable to contact HSBC by phone and wanted its fee and the personal guarantee returned. On 30 October 2021 it was unhappy to receive a renewal letter for the following year. And on 15 November 2021 HSBC said that it hadn't been clear L also wanted the overdraft limit removed. L confirmed its position about the overdraft limit and HSBC dealt with this on 12 January 2022 and said it wouldn't be providing any further compensation.

She said that L had taken action in response to the renewal letter of October 2020 as it had been asked to do. And so, it wasn't reasonable that it be renewed without further contact. Having said that once it had been put in place L reasonably needed to confirm that the limit itself was no longer required. HSBC took too long to deal with L's communication, and this caused inconvenience. She knew that L had asked for £500 but said that we wouldn't be using L's professional rates and making a punitive award. And there had been other ways apart from letter to contact HSBC which might have got a quicker response.

L didn't agree and wanted its complaint to be reviewed. The director that represents it said he was disappointed at the lack of any further compensation. He had tried to use the direct form of communication through telephone and hadn't had success in branch. That's why he'd been writing letters and he felt he was being blamed for failings that were HSBC's. The compensation doesn't address his professional rates for L, and it took three letters before the personal guarantee was returned.

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.

Our investigator set out the key dates and letters above. I agree that it was reasonable to expect HSBC to contact L further about the interest rate before it was applied. That seemed to be the reason for the advance notification of the renewal. The letter L had received about this did direct it to either phone or branch contact. And it relied on the branch to progress this and reminded staff about this several times.

HSBC had made its position clear about the rate by February 2021. There was no negotiation. L further complained that by then the renewal had taken place. And I note it had to wait until June 2021 before an offer was made about this. That offer asked L to phone to say if it wanted the overdraft to be removed. I appreciate it says it did try. But it didn't write about this until October 2021 and I agree that it didn't explicitly state that it wanted the overdraft removed. It stated in a letter that *"We wish our overdraft fee returned along with our personal guarantee"* and it said it didn't think that the compensation was reasonable. That led to a further final response.

This service provides informal dispute resolution and as our investigator says we don't make punitive awards or generally apply professional rates when thinking about time spent and inconvenience. We publish guidelines about compensation and here the complainant is L, a company and separate legal entity that can't suffer distress. As I've explained above things could have been resolved sooner and I note the further contact that L made during the period. And being direct I think that after 30 June 2021 L didn't promptly give clear instructions to HSBC.

I've balanced all these factors in making my assessment and having done so I consider that the amount recommended by our investigator is reasonable to reflect the inconvenience caused by HSBC. I appreciate that the director will be disappointed by my assessment.

I understand that the £50 originally offered hasn't yet been paid. And I make clear that the total amount of compensation for L is £200.

My final decision

My decision is that I uphold this complaint and require HSBC UK Bank Plc to pay L a total of £200 in compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask L to accept or

reject my decision before 22 August 2022.

Michael Crewe
Ombudsman