

## **The complaint**

A company which I'll refer to as 'M' complains that HSBC UK Bank Plc unfairly declined its application for a Bounce Back Loan.

The complaint is brought on M's behalf by its director, Mr S.

## **What happened**

M wanted to apply for a Bounce Back Loan (BBL) with HSBC, but it didn't hold an account with the bank. It applied for a business current account and BBL in May 2020. After a month, Mr S hadn't heard anything, so he complained to the bank. HSBC said the account application had lapsed, so the BBL application couldn't be progressed as M needed to hold an account with HSBC first. M applied for the account again in June, however this application also lapsed. M applied again in mid-July and in early October, HSBC contacted Mr S to say that M's application had expired, and the bank was no longer accepting new customers.

HSBC said that M's application had been submitted incorrectly and it should have applied as a switcher request rather than a 'start-up' as it already held a business account elsewhere. However, as M had applied before HSBC had stopped accepting new customers, the bank allowed the business to reapply in early October. In November, HSBC declined M's final account application as it didn't meet the bank's eligibility criteria.

Mr S made a complaint on M's behalf. He said that HSBC had accepted an application for another of his businesses which had been submitted after M's application. So he believed HSBC should accept M's account request.

HSBC agreed that its service hadn't been as good as it would have expected. The bank said it was experiencing a high volume of applications which meant it wasn't meeting its usual timescales. HSBC apologised for the delays, but said it reviewed each application on an individual basis to ensure they met the bank's legal and regulatory obligations. Mr S didn't think M had been treated fairly and asked this service to look into the business's complaint. He also told us he had another business which had its account opened by the bank – which he was also the director for - so he didn't know why M's applications had been declined.

Our investigator thought it was reasonable for HSBC to decline M's application for a business account as it didn't meet the bank's criteria and so, with no account, the company was ineligible to apply to the bank for a BBL. However, he thought HSBC had taken too long to process M's applications - which then lapsed. Therefore he asked the bank to pay £250 compensation for the inconvenience.

HSBC accepted the investigators view, but Mr S didn't. He said in summary:

- He didn't feel £250 compensation was enough for the inconvenience caused.
- He'd said he'd put M as a 'start-up' business rather than a 'switcher' on the

application form as that is what HSBC had told him to do.

- The credit check markers from the repeated applications would have shown on his and M's credit file at the time the company was seeking finance and would've had a negative impact.

I issued a provisional decision on 27 June 2022. I said the following:

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 decided to uphold it in part. I'll explain why.

Although the BBL Scheme is a government backed scheme, lenders had some discretion to decide how they would accept applications, both from new and existing customers. There were also checks a borrower would be subject to when applying for a loan from any lender including, customer fraud, Anti-Money Laundering and Know Your Customer checks.

The bank has told us that as one of the only lenders offering BBL's to new customers, it was extremely busy and wasn't able to process applications as quickly as it would have liked. And I think that's a reasonable explanation for the initial delay in processing M's first application. However, I've seen that this application didn't progress due to inactivity, which caused it to lapse - and that the same issue occurred with M's second application which was submitted in June.

HSBC apologised and acknowledged its service could have been better when processing M's first two applications. The bank accepted it made an error when the June application lapsed and agreed to rekey the application itself to prevent further inconvenience to M. I can see there was a discrepancy with the type of application M had submitted. However, the bank didn't identify this before it submitted the third application on M's behalf. HSBC said the reason it didn't identify the issue on the earlier applications was because they were being reviewed and information was outstanding. But as the first two applications lapsed due to inactivity, I don't think that's reasonable.

The bank said that it had a significant amount of applications which again delayed processing M's application. But as M's original application had already lapsed twice due to the bank's actions, I think the bank should have treated the third application as a priority – as it had agreed to do. Instead it took a month for the bank to review M's application. HSBC has said that it is aware some staff said that applications could be fast-tracked, but that this wasn't guaranteed. But I don't agree in this case. I've seen the emails between Mr S and HSBC, and I think it was reasonable for him to expect M's application to be progressed quickly by the bank as he'd received assurances on several occasions.

In mid-August, HSBC finally reviewed M's third application and completed its checks, and the bank identified there was an issue with the identification documents it had obtained from Mr S to complete its checks. Whilst HSBC had been internally reviewing M's application, the documents Mr S had repeatedly provided with each application since the original one in May 2020, had expired. But despite numerous emails and contact from Mr S, HSBC didn't explain what had happened, why the application hadn't been successful or ask Mr S for new identification documents so it could proceed with M's application.

It took a further three weeks for the bank to ask if it could rekey M's application again. It then told Mr M that he'd hear back within 48 hours, which didn't happen. After several weeks the bank identified it had submitted the application again as a 'start-up' and it was cancelled. I think it was reasonable that HSBC didn't progress this application, as it couldn't verify Mr S's identity. But I don't think it was fair that the bank didn't explain to Mr S what had happened or ask him for new identification documents. This meant he wasn't given the opportunity to address the issue before the application was cancelled, or before M submitted a further application.

Mr S submitted M's final application on 8 October, this time as a 'switcher' which was the correct application. But Mr S didn't receive an acknowledgement from HSBC, so he repeatedly contacted the bank for an update. HSBC reviewed M's application in mid-November and declined it based on the identification document issue it had already noted in August. As with the August application, I think the bank's reason for not proceeding with the final application was reasonable. However, I think the bank's actions led to the reason for the decline - as it didn't process M's original applications in a reasonable manner causing the business inconvenience. I'm also not satisfied with HSBC's explanation for the delay in reviewing the rekeyed applications.

Mr S submitted four applications on M's behalf in total - in addition to the applications reinput by the bank. I recognise HSBC said it wasn't able to process the applications which had been submitted as a 'start-up' as the questions which were asked were different to what the 'switcher' application - and therefore its staff weren't able to use the information which had been provided. I think this explanation is reasonable. However, Mr S has said he was told by the bank to submit the applications in this way. He has provided comprehensive records of his discussions and calls with the bank and I have no reason to doubt this was the case. It also doesn't explain why HSBC didn't tell Mr S that his identification documents had expired when it reviewed M's application in August or ask for alternative documents which he then could have provided with the subsequent application in October.

In addition to this, I haven't seen any evidence that Mr S was told M's applications should be submitted as a 'switcher' until October - which he did for the final application. Based on what I've seen, I think if HSBC had processed M's original application in a reasonable timescale, the bank would have declined M's application because it was submitted as a 'start-up'. HSBC would then have told Mr S it was the wrong type of application, so he could've submitted M's second application correctly - and before the issue with his identification arose.

I think HSBC made some errors in processing M's applications, which meant M had to apply several more times directly with the bank - and liaise with staff so the bank could submit the rekeyed applications. I recognise Mr S feels the compensation suggested by the investigator isn't enough for the inconvenience that M was caused and from what I've seen so far, I think a higher figure would be appropriate. From the information he's provided, I can see his time as a director was impacted in the ways I've outlined above. I think this caused M a level of inconvenience for which £500 would be fair compensation.

Mr S has also told us about the personal impact of HSBC's actions. And whilst I do understand his position due to the issues M has experienced, I can only award compensation to the person(s) or entity bringing the complaint to this service - which in this case is M. As a limited company can't be caused distress, I can only look at the inconvenience caused to M by HSBC's actions.

I acknowledge Mr S's comments about the impact of the bank's actions on both his and M's credit file. But according to HSBC the credit checks have already dropped from both credit file's due to the time that's passed. And Mr S hasn't provided any evidence to show there has been a negative impact on himself or M, so I'm not able to consider this as part of the award for compensation either.

So for the reasons I've outlined above, I don't think HSBC processed M's business current account application in a reasonable way. It's clear the bank's handling of the application caused M inconvenience, so to put things right I think HSBC should pay M £500 compensation for the inconvenience caused.

I invited Mr S and HSBC to give me any more evidence and information they wanted me to consider before issuing my final decision. Mr S responded to say that he had nothing further to add. HSBC responded to say it accepted the 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 as Mr S responded to say he had nothing further to add and HSBC has accepted the provisional decision, I see no reason to reach a different conclusion.

So this final decision confirms the findings set out in my provisional decision.

### **My final decision**

My final decision is that I uphold this complaint. I instruct HSBC UK Bank Plc to pay M £500 compensation for the inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask M to accept or reject my decision before 8 August 2022.

Jenny Lomax  
**Ombudsman**