

The complaint

Mr S complains that HSBC UK Bank Plc charged him additional fees when he withdrew from his loan. He wants the excess charges refunded and compensation.

What happened

Mr S took out a loan with HSBC. He contacted HSBC within 14 days and asked to exercise his right to withdraw and says he repaid the loan within 30 days as required under the terms. He says he was charged additional fees above those set out in the loan terms.

HSBC said that Mr S took out a personal loan for £8,000 on 22 January 2022. On 4 February he said he wanted to withdraw from the loan. HSBC says that when it tried to reverse the loan there were insufficient funds in Mr S' bank account to complete the repayment. It said Mr S then paid money into his account and the loan was closed but this was after the 14-day cooling off period and so interest had been applied correctly.

Our investigator upheld this complaint. He said that although Mr S was told to keep the funds in his account until the loan had been repaid and this didn't happen, as he had informed HSBC of his intention to withdraw and had repaid the funds within 30 days, he should only have been charged interest for the days until the loan was repaid. He recommended that HSBC refund Mr S any charges above this amount along with 8% simple interest from the date the interest was charged to the date of settlement.

HSBC agreed with our investigator's view. Mr S said that as well as the refund of additional charges and interest applied to this, he wanted additional compensation for the stress the issue had caused as well as his call costs refunded. He said he wasn't able to provide an itemised bill to show how much he had spent on telephone calls.

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.

Mr S entered into a loan agreement on 22 January 2022. The terms of the agreement included the following:

'You can withdraw from the agreement (without giving any reason) by sending written notice or callingwithin 14 days, starting the day after we confirm that we have signed the loan agreement. You must repay the loan, without delay, within 30 days starting on the day after you tell us that you want to withdraw with interest for each day until you repay. The daily interest amount is set out in the loan agreement. We won't charge any interest if you repay the loan in full within 14 days starting the day we provide the loan.'

Mr S contacted HSBC to withdraw from the loan on 4 February, that is within the 14 day right to withdraw period. I have listened to the call when Mr S' withdrawal is discussed, and it is confirmed that the request has been made on the 14th day and that the funds are in the account. The adviser then says it can take up to two days for the process to be completed

and that Mr S should ensure the funds remain in his account which he agreed to. However, Mr S withdrew funds before the loan was closed and so the closure wasn't completed.

However, as Mr S placed sufficient funds in his account for the loan to be closed within the 30 day period, I agree with our investigator that it is fair that that Mr S is only charged the daily interest on the days up to when the loan was repaid. I note that HSBC agreed to this.

Mr S asked that his phone call costs be refunded and that he was paid compensation for the stress he had been caused. I note that evidence of the cost of calls was requested but Mr S said he wasn't able to obtain this. I do not find that it is unreasonable for HSBC to request evidence of the costs and without this I do not find I can recommend these costs are refunded.

Mr S has also asked for compensation for the distress this issue has caused. While I appreciate that raising a complaint takes time, causes inconvenience and can be distressing, the issue with the initial repayment of funds occurred as Mr S withdrew the money from his account after agreeing to keep the funds available for the closure. I appreciate he was then charged amounts above what was set out in the terms but as HSBC has agreed to refund any excess charges along with 8% simple interest, I think this is reasonable redress for this complaint.

Putting things right

HSBC UK Bank Plc should only charge Mr S interest for each day until he repaid the loan, and should refund him any amounts it charged above this along with 8% simple interest from the date the interest was charged to the date of settlement.

My final decision

My final decision is that HSBC UK Bank Plc should take the actions set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 20 December 2022.

Jane Archer
Ombudsman