

## The complaint

Mr and Mrs R are unhappy HSBC UK Bank Plc failed to reply to their questions after declining their request for an increased overdraft facility.

## What happened

In April 2022 Mr and Mrs R asked for a temporary increase to their overdraft limit. HSBC wrote declining their request. The letter referenced borrowing facilities they held and talked about reapplying if they were able to reduce their overall levels of borrowing, or if they had additional income sources.

Mr and Mrs R wrote to HSBC four times asking what this meant, as they had no debt with HSBC or any other provider. They were concerned incorrect records seemed to exist. HSBC did not respond.

HSBC said it had made no error in how it managed the overdraft application, or with the decision to decline it. But it had with how it handled Mr and Mrs R's communication and for this it offered £50 compensation.

Our investigator did not uphold Mr and Mrs R's complaint. She said HSBC had not made an error by not approving the overdraft, but it ought to have replied to their letters. However she felt £50 was fair compensation.

Unhappy with this assessment Mr and Mrs R asked for an ombudsman's review. In summary, they asked if HSBC were still not going to let them know what debts and liabilities it thinks they have. They reiterated their complaint is not about HSBC's decision to decline their application for an increased overdraft.

I made different findings in places to the investigator so I issued a provisional decision. An extract follows and forms part of this final decision. I asked both parties to send any comments or new evidence by 17 February 2023.

### *Extract from my provisional decision*

*I am upholding Mr and Mrs R's complaint.*

*Whilst I acknowledge their complaint is not about HSBC's decision to decline their request for an increased to their overdraft, I think the reason the bank did not approve it is important context here.*

*HSBC has clarified the reason for its lending decision – it says as Mr and Mrs R already had access to £8,000 of unsecured lending with HSBC (£4,000 overdraft facility and £4,000 credit card limit) it could not agree to increase the overdraft to £12,000 when looking at the credits to their account. I find this explanation to be clear and in no way misleading.*

*However, this is not what the letter sent on 6 May 2022 said. I can see why the way it was worded left Mr and Mrs R concerned there were debts incorrectly recorded against their*

*names when they knew they had no debt. HSBC says it was a generic letter used for declines, but in the individual circumstances of Mr and Mrs R's application, it was misleading and caused them distress that was wholly avoidable. So I find they must be compensated for this. I am therefore awarding an additional £75 compensation. HSBC has agreed to make this payment.*

*I agree with the offer the bank has already made of £50 to acknowledge that it failed to respond to Mr R's letters asking for an explanation. Mr and Mrs R want to know why it did not respond, the reason the bank has given is no more complex than it was an error. Whilst I anticipate this will be frustrating for them, it is a transparent reply – and why there is a compensatory award.*

*I can understand why Mr R would have replied directly to the address on the letter of 6 May 2022, but the terms of his account do set out the address to use for postal correspondence. I accept that even when he did use that address, the bank still failed to reply - but first using the contact centre address did elongate the process.*

HSBC did not respond to the provisional decision, but it has previously agreed to the increased compensation. Mr and Mrs R replied saying they were pleased with the outcome but still did not know what debt HSBC was referring to in its letter and an explanation from them would be helpful. They also sent in a copy of a letter Mrs R received on 10 January 2023 inviting her to apply for a loan, and commented how unbelievable that was given the bank's position on their supposed indebtedness.

### **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.

I have reviewed Mr and Mrs R's new comments carefully. I have found no reason to change the outcome I set out in my provisional decision. Mr R asks that HSBC explains what debt it was referring to in the letter. But I think it has adequately explained, via this service, that its lending decision was not based on any realised debt, rather on the existing £8,000 credit they had access to via their overdraft and credit card limit – relative to the incomings on their account.

As I said in the provisional decision, I found the letter was therefore misleading. HSBC has explained it was a generic letter. And as it did not best reflect Mr and Mrs R's circumstances - and therefore caused distress for them - that is why I awarded an additional £75 compensation. I hope Mr and Mrs R now understand that the letter they received was based on the amount of credit/the borrowing facilities they had access to at the time. The error HSBC made was to not better explain this, leading Mr and Mrs R to believe they had debts incorrectly registered in their name somewhere.

With regards the recent loan invitation Mrs R received, whilst I understand why they found this to be surprising in the context of this complaint, I can't find an actual failing on the part of the bank, and banks typically have different lending criteria for different products.

### **Putting things right**

HSBC must now pay Mr and Mrs R £125 compensation.

### **My final decision**

I am upholding Mr and Mrs R's complaint. HSBC UK Bank Plc must put things right as set

out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs R to accept or reject my decision before 20 March 2023.

Rebecca Connelley  
**Ombudsman**