

The complaint

Mr B is unhappy that HSBC UK Bank Plc, trading as First Direct, didn't approve his application for a new account.

What happened

Mr B applied to First Direct for a new account. However, his application was declined. Mr B wasn't happy about this and felt there was no reason why his application shouldn't have been successful, including that he had an excellent credit history. So, he raised a complaint.

First Direct responded to Mr B and explained that his application failed because it didn't meet their internal credit scoring criteria. However, First Direct acknowledged that when Mr B had first queried why his application hadn't been approved, he should have been given the opportunity to appeal the decision, which didn't happen. First Direct apologised to Mr B for this and offered to make a payment of £50 to him as compensation for any trouble and upset he may have incurred.

Mr B wasn't satisfied with First Direct's response, including that First Direct were refusing to remove the credit search they'd conducted during the application process from Mr B's credit file. So, he referred his complaint to this service.

One of our investigators looked at this complaint. But they didn't feel First Direct had acted unfairly in how they'd managed the situation. Mr B remained dissatisfied, so the matter was escalated to an ombudsman for a final 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.

Mr B feels that there isn't anything in his credit history such that his application to First Direct should have been declined. Because of this, Mr B thinks First Direct may have considered incorrect information about him when assessing his application.

But First Direct have explained to this service exactly why Mr B's application was declined. And while I'm unable to divulge this information to Mr B, I'm satisfied that First Direct haven't acted unfairly in taking the decision that they did.

Ultimately, it isn't for this service to instruct First Direct that they must approve, or should have approved, Mr B's application for a new account. Instead, it's for Mr B to appeal the declining of his application with First Direct, so that any concerns First Direct may have had could be addressed and Mr B's application considered by them again.

First Direct have acknowledged that Mr B should have given the opportunity to appeal their decision when he first spoke with them about it – rather than being told to put his objections in writing, as actually took place. And First Direct have apologised to Mr B for this and offered to pay £50 compensation to him as a result.

First Direct did later correct their position during their handling of Mr B's complaint and offered Mr B the opportunity to appeal. But at that time, Mr B told First Direct that he no longer wanted an account with them, and so no appeal to the declining of the new account application was ever formally made.

Matters of compensation can be subjective, but I feel the offer of £50 made by First Direct is a fair one here and I can confirm it's commensurate with what I may have instructed First Direct to pay had they not already offered to do so.

In arriving at this position, I've considered that Mr B did incur some upset and inconvenience because he wasn't offered the opportunity to appeal in the first instance, but also that he was given the opportunity to put his objections in writing, and that Mr B has since decided that he doesn't want an account with First Direct.

Mr B is also unhappy that First Direct won't remove the credit search they conducted during the application assessment process from his credit file. But businesses such as First Direct have an obligation to report credit searches that they conduct. And as explained, I don't feel that First Direct have acted unfairly in declining Mr B's application as they did. And for these reasons, I won't be upholding this aspect of Mr B's complaint.

Ultimately, I don't think that First Direct have done anything wrong here. This is because I'm satisfied First Direct did assess Mr B's account application in a fair manner. And while I appreciate Mr B may like to better understand why First Direct declined his application, First Direct aren't obliged to provide that information to him. Additionally, because Mr B chose not to appeal First Direct's decision, First Direct weren't able to ask him any questions and obtain any information from him which may have caused them to reconsider their decision.

All of which means that, while I will be upholding this complaint in Mr B's favour, I'll only be doing so to instruct First Direct to pay Mr B the £50 compensation that they've already offered to pay, and which I'm satisfied is a fair compensation amount.

I realise this won't be the outcome Mr B was wanting, but I hope he'll understand, given what I've explained, why I've made the final decision that I have.

Putting things right

First Direct must make a payment of £50 to Mr B.

My final decision

My final decision is that I uphold this complaint against HSBC UK Bank Plc, trading as First Direct, on the basis explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 18 May 2023.

Paul Cooper
Ombudsman