

The complaint

Mr A complains HSBC UK Bank Plc forced him to take out a loan to repay his overdraft.

What happened

Mr A had an HSBC business account with an overdraft. In April 2007, he says HSBC threatened to take him to Court unless he took out a loan to consolidate his overdraft debt.

Following our involvement, HSBC has said Mr A was offered a loan as he was struggling to stay within his overdraft limit. They also explained it was unlikely they would have threatened to pursue Mr A legally for his overdraft debt, as their normal process is to pass accounts to their internal debt collectors if there are arrears.

Mr A says the lending was inappropriate because in 2021 HSBC offered him £50 and refunded some interest on the loan in recognition of their previous actions. However, HSBC said they had carried out a widespread review of how they previously handled accounts in debt and compared it with how they would do so now – and that is why they offered Mr A £50. Regarding the refund of interest, they explained this was paid because they'd noticed mistakes in the way interest and charges had been applied to loans like Mr A's.

Our investigator looked into Mr A's concerns but didn't think his complaint should be upheld. He explained that he was persuaded offering Mr A loan in 2007 was the right thing to do. That's because Mr A's bank statements suggested he was struggling to keep on top of the interest and charges being applied to his account. Our investigator also said he wasn't persuaded HSBC had threatened legal action because when Mr A fell into arrears with his loan, the account was passed to HSBC's internal debt collectors which is in line with the policy they had explained.

Mr A disagreed with our investigator, so his case was passed to me 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.

Having considered everything, I'm not upholding Mr A's complaint. I know this isn't the outcome he hoped for, but I'll explain my reasoning below.

We've received limited information from either party to show us what happened in early 2007 when Mr A took out his loan. However, I don't consider this to be surprising or unreasonable given the time that's passed. But it has meant I've had to base my decision on the evidence we do have – and determine what I consider most likely to have happened.

I've seen copies of Mr A's bank statements that cover the period from mid-November 2006 to mid-April 2007. These have shown me Mr A's account was overdrawn by more than £13,000. I've seen that while Mr A was crediting his account with around £210 a month, the interest and charges being applied exceeded £300 a month, meaning his overdraft debt was increasing. This pattern continued until the loan payment was credited to the account and cleared the overdraft balance in April 2007.

Given the activity on the account and the fact HSBC has told us Mr A had exceeded his overdraft limit, I don't consider offering Mr A a loan was the wrong thing to do. Having a loan to consolidate debt can often make repaying what is owed more manageable. And having seen Mr A's loan statements, it appears he was able to manage his loan repayments of around £215 per month. This was a similar amount to what Mr A was paying towards his overdraft. Therefore, I consider it's most likely that this loan was affordable for Mr A until his circumstances changed in 2011.

As mentioned above, we have limited information on what was discussed in April 2007. So, I've not seen any evidence to support Mr A's point about being threatened with Court action. I appreciate Mr A feels very strongly about this point. However, on balance, I'm not persuaded HSBC said they'd take Mr A to Court if he didn't take out a loan to repay his overdraft. I say this because when his loan fell into arrears, Mr A wasn't threatened with legal action. Instead, his loan account was passed to HSBC's internal debt collector – and the same thing happened with Mr A's credit card. Therefore, I'm persuaded it's most likely HSBC would have managed Mr A's overdraft in a similar way if he hadn't consolidated his debt with the loan complained about.

I've taken onboard what Mr A has said about HSBC giving him a £50 goodwill gesture and refund of interest in 2021 following a review of their historic management of his loan. While I agree HSBC offered these payments to Mr A, I've not seen anything to persuade me this happened because giving him a loan wasn't appropriate for his circumstances – or because he was coerced into taking out the loan. I've seen the letters HSBC sent Mr A about this, and I'm satisfied they clearly explained why the £50 award and refund of interest were offered. Therefore, while I understand Mr A feels strongly about what happened, this point doesn't change my mind.

Given the above, I don't consider HSBC needs to do anything to put things right.

My final decision

My final decision is that I do not uphold this complaint about HSBC UK Bank Plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 21 June 2023.

Sarrah Turay
Ombudsman