

The complaint

Mr B complains that HSBC UK Bank Plc treated him unfairly in the way it handled his loan accounts.

What happened

In 2020 Mr B took out a personal loan with HSBC. In October 2022 Mr B applied for another personal loan of £12,500 and a further loan of £22,160 to consolidate his existing debt. The loans were credited to Mr B's bank account.

When Mr B checked he noticed that he had three loans open instead of the two he was expecting. He tried to use the funds in his bank account to close his existing personal loan but instead closed the new personal loan of £12,500 by mistake.

Mr B contacted HSBC to explain what had happened. The agent advised Mr B that it wouldn't be possible to reverse the closure of the new personal loan. The agent offered to raise a complaint, but Mr B declined. The agent advised Mr B to wait for a period of time before applying for another loan because if he applied too soon this could negatively impact his credit file.

Mr B contacted HSBC in September 2023. He asked to consolidate the loans because he was struggling to maintain payments. HSBC said it wasn't possible to do this but agreed a reduced payment plan for one of the loans.

Mr B also raised a complaint about the loan which had been closed in 2022. HSBC said that it would look into how it could put Mr B back into the position that he would have been in had the loan not been closed.

HSBC subsequently opened a new loan to replace the (closed) loan of £12,500 and closed Mr B's existing personal loan.

Mr B complained to HSBC. In response to the complaint, HSBC closed the new loan for £12,500 and replaced the personal loan under the same terms.

Mr B remained unhappy. He said he hadn't agreed to the replacement loan. He asked HSBC to write off the remaining balance.

HSBC didn't uphold the complaint. It said that reworking the original loan was the only way it could put Mr B back in the position he was in before the loan was closed. HSBC said it couldn't re-open a closed loan, and that the only change in relation to the new loan was a new loan reference number, with the terms and conditions remaining the same as the previous loan. HSBC said it was sorry that it hadn't taken steps to correct Mr B's mistake in October 2022 and apologised for any distress and inconvenience caused when it tried to rectify the situation. It offered compensation of £250.

Mr B remained unhappy and brought his complaint to this service.

Our investigator didn't uphold the complaint. they said that whilst they understood why Mr B

was unhappy that HSBC hadn't done more to help him when he made the mistake, the steps taken by HSBC to put Mr B back in the position he was in before the loan was closed were reasonable and the compensation offered was fair.

Mr B didn't agree. He said that because his existing loan wasn't automatically closed in October 2022 when it should've been, he had ended up in a repayment plan.

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.

Although Mr B accepts that he made a mistake when he closed a different loan to the one he intended, he makes the point that his existing loan should've been closed automatically and that if this had happened, none of the subsequent issues would have arisen. Mr B feels that HSBC made an error by not automatically clearing the existing loan balance and closing the existing loan.

HSBC has acknowledged that it had a conversation with Mr B on 23 October 2023 during which it advised him that its systems should automatically close an existing loan when a top up loan is taken out. I haven't seen any information from HSBC which explains why this didn't happen in Mr B's case. So I understand why Mr B considers this to be an error by HSBC.

I've looked at what HSBC did following the mistaken closure of the £12,500 loan. It advised Mr B that it couldn't stop the closure or re-open the loan. I'm satisfied that this was the correct information. However, I think that HSBC could've done more at this point to help Mr B by setting up a new loan to replace the closed one. It appears that this didn't happen because Mr B declined to make a complaint. However, it isn't clear to me why it was necessary for Mr B to make a complaint in order for a new loan to be set up. I think HSBC should've advised Mr B that this was an option. This would've restored Mr B to the position he would've been in had the wrong loan not been closed.

I've gone on to consider what happened in October 2023. Following a call from Mr B, HSBC reworked the loans as if the original error hadn't occurred. Mr B has said that he didn't agree to this and that he had only requested calculations so that he could make an informed decision about what to do. I appreciate that Mr B didn't ask for the new loan to be set up. However, on balance, I think HSBC acted fairly and reasonably when it took these steps, because this was the only way in which it was possible to put Mr B back in the position he would have been in had the £12,500 loan not been closed in 2022.

Taking everything into consideration, and although (as I've said) I think HSBC could've done more to help Mr B in October 2022 when the mistake was made, I'm satisfied that the steps HSBC has taken now to restore Mr B to the position he would have been in were fair and reasonable. I'm also satisfied that the compensation offered for any distress and inconvenience caused to Mr B is fair.

I appreciate that Mr B wants the loan written off as a resolution. I don't think that this would be a fair or proportionate outcome in this case, because Mr B has had the benefit of that money. I'm satisfied that the reworking of the loan and the compensation is a fair and reasonable resolution to the complaint.

My final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 27 March 2024.

Emma Davy
Ombudsman