

The complaint

Mr F complains that HSBC UK Bank Plc (HSBC) declined to increase the overdraft limit on his student current account. And he complains that it didn't provide him with an explanation as to why his limit wouldn't be increased.

What happened

Mr F says he contacted HSBC on the phone to increase the overdraft limit on his student account from £1,000 to £2,000. Mr F says his application for increases had been continuously rejected without an explanation as to why.

Mr F adds that he wasn't told that the applications to increase his credit limit would impact his credit file. He also requested that his year of study be updated, which wasn't actioned, and he was told to go into branch to do this. Mr F says HSBC told him that once his year of study had been updated, it couldn't see any reason why his request for the overdraft limit increase would be declined. However, his request was declined even after his year of study had been updated.

Mr F says he was provided with poor advice over the phone on more than one occasion, which left him feeling stressed and confused.

Mr F says this situation has caused him significant financial and mental distress. He says that his university studies have been impacted as a result of him having to take on more shifts to afford his living expenses – which he wouldn't have had to do if HSBC had allowed him the increased limit.

HSBC responded to Mr F's complaint on two separate occasions. It explained that it couldn't give him one specific reason as to why his application might have been declined, but it explained the types of things it takes into account when considering an application. HSBC did confirm that it had removed some of the credit searches on Mr F's credit file, because it wasn't explained to him that the searches would impact his credit file. It also agreed he was provided incorrect information over the phone. It agreed to pay Mr F £180 (in total) to compensate him for having to go into branch and change his year of study and for not setting his expectations appropriately.

Shortly after the case was referred to this service, HSBC let us know that it would like to offer Mr F a further £120 to recognise the distress and inconvenience the situation had caused – this would take the total amount to £300. The Investigator thought this offer was fair in the circumstances.

The Investigator also communicated to Mr F the reason HSBC had declined to increase his overdraft facility. HSBC said he had been declined because there was no eligible income being received into the account. Any income into the account was by way of transfer from a different account or from student loans. HSBC said that a student must be able to evidence income in order to cover an increase request.

Mr F remained unhappy with the outcome. He reiterated the detrimental affect the situation had on his studies. And that he should have been given proper information sooner.

Because an agreement couldn't be reached, the complaint has been passed to me to decide on the matter.

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 all of the information available to me, I think HSBC's offer of £300 in total is a fair way to settle this complaint – I appreciate this will be disappointing for Mr F, however, I will explain my reason for this below.

I think it's important to firstly explain I've read and taken into account all of the information provided by both parties, in reaching my decision. I say this as I'm aware I've summarised Mr F's complaint in considerably less detail than he has. If I've not reflected something that's been said it's not because I didn't see it, it's because I didn't deem it relevant to the crux of the complaint. This isn't intended as a discourtesy to either party, but merely to reflect my informal role in deciding what a fair and reasonable outcome is. This also means I don't think it's necessary to get an answer, or provide my own answer, to every question raised unless I think it's relevant to the crux of the complaint.

The crux of the matter here is that HSBC declined to increase Mr F's credit limit – and it didn't provide him with a reason as to why his limit increase request was declined. It also provided him with incorrect information, and it didn't appropriately manage his expectations. Based on what I've seen, it doesn't appear these facts are in dispute.

It's worth noting that this service wouldn't generally interfere with a businesses decision to lend. Essentially, it is up to the business to decide what risks it is prepared to take when lending to a customer. And based on HSBC's reasons for declining Mr F's application, I don't think it has acted unreasonably in declining to increase his overdraft. I have also looked at HSBC's website information about Student Account overdrafts, this says "*Get a guaranteed interest-free limit of up to £1,000 when you apply for a Student Account, regardless of what year you're in, which could rise to £3,000 by year 3*". I don't think this suggests that Mr F would definitely be accepted for an increased overdraft. So again, I don't think it was unfair of HSBC to decline to increase his limit.

I do however accept that HSBC didn't treat Mr F fairly throughout this process.

It isn't in dispute here that HSBC provided Mr F with incorrect information on the phone and didn't appropriately manage his expectations. This has led to Mr F processing more applications, which impacted his credit file. I can see that HSBC has agreed to remove some of the credit searches from his credit file, which is what I would have expected it to do in these circumstances. So, as far as Mr F's credit file is concerned, I'm satisfied that HSBC has done enough to put things right here.

HSBC is also required to provide Mr F with a reason as to why his application had been declined. It wasn't until this service requested this information from HSBC that Mr F was told the reason he wasn't accepted for an increase in his overdraft. If Mr F had been told about this sooner, it would likely have prevented a lot of the further applications and meant that Mr F didn't have to spend time contacting HSBC about the issue or setting his expectations that he might be accepted for the increase at some point in the future.

I have no doubt that the process has been confusing, inconvenient and distressing for Mr F. I have thought about everything Mr F has said when considering if HSBC's offer of £300 is enough to compensate him for the things it got wrong.

I'll start by saying it's seldom straightforward to decide on appropriate levels of compensation for non-financial losses. Not least because the impact on the consumer will be, by its very nature, subjective and difficult to quantify. In this case, I have considered the inconvenience to Mr F in continuously reapplying for the overdraft limit increase, the incorrect information he received on the phone, the unclear information about why his application hadn't been accepted and the issues he had in changing his year of study.

When deciding on fair compensation, I have taken all of this into account, together with our published approach to compensation for distress and inconvenience, which can be found on our website. Having done so, and while recognising Mr F's strength of feeling about the matter, I'm satisfied HSBC's offer of £300 and the removal of most of the credit searches is a fair way to resolve this complaint in the circumstances.

I have also noted Mr F's comments in that the matter affected his studies because he had to take on extra work shifts to pay for things that he otherwise wouldn't have had to do had he been accepted for the overdraft. But I don't find that HSBC needs to do anything more here. While I'm sorry to have read Mr F's comments, he wasn't guaranteed to be accepted for the increased overdraft. And for me to uphold this part of Mr F's complaint, I'd need to be satisfied that HSBC did something wrong in not offering him an increased overdraft amount – which for the reasons I've explained I don't think it did do anything wrong on this point.

Overall, while I'm satisfied it was fair and reasonable of HSBC to decline Mr F's request for an increase in his overdraft. I agree that it could have done better in how it handled matters. However, I find the offer of £300 is enough to put things right, so I won't be asking HSBC to do anything more for Mr F.

Putting things right

If HSBC hasn't done so already, it should put things right for Mr F by:

- Paying him a total of £300 to compensate him for the distress and inconvenience caused to him.
- Removing all but one of the credit searches relating to the application for an increased overdraft limit from his credit file.

My final decision

For the reasons set out above, I uphold Mr F's complaint. If it hasn't already done so, HSBC UK Bank Plc should put things right for Mr F by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 4 September 2024.

Sophie Wilkinson
Ombudsman