

The complaint

Mr R and Mrs R complain about HSBC UK Bank Plc reducing their overdraft.

What happened

The parties are familiar with the background details to this complaint – so I will simply summarise things here.

Mr and Mrs R say that for many years they had a £5,000 overdraft with HSBC – but more recently HSBC reduced this to £1,750. They say this decision is unfair as it will force them into debt and has been made for no reason at all.

They complained to HSBC but it did not accept it had done anything incorrect in reducing the overdraft.

Our investigator did not uphold the complaint, but Mr and Mrs R would like an ombudsman to look at things again and make 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.

I note Mr and Mrs R have raised some other complaint points about the general communication from HSBC about use of and paying down the overdraft and offers it made them for loans. I understand these matters have been raised independently and are being dealt with as separate complaints, so I won't be commenting on them here. Here I am focusing on the complaint about the reduction of the overdraft.

While I might not comment on everything (only what I consider key) this is not meant as a discourtesy to either party – it reflects my role resolving disputes informally.

I appreciate Mr and Mrs R have said they had the previous overdraft limit for 30 years. And I am sorry to hear they are upset this has now been changed. However, simply having a facility for a long period does not mean it cannot be reviewed or changed in line with the terms of the account.

HSBC has said its terms and conditions allow it to remove or amend an overdraft at any time. I have looked at its personal banking terms and agree that an overdraft is not a guaranteed feature of Mr and Mrs R's account and is stated in the terms as an 'on-demand' type of lending – which it may agree to grant a customer. It also says that there is no fixed period for an arranged overdraft and this will be reviewed.

It follows that my starting point is that the overdraft is not something that HSBC must provide Mr and Mrs R, and it is permitted to change it over time. However, I have also gone on to consider if the way it has exercised this discretion appears to be unfair, when taking into account the particular circumstances of this case.

HSBC has explained to Mr and Mrs R that it reviewed their account as part of regular checks it does as a responsible lender. I think this is an important factor to consider – as a high overdraft limit can mean borrowing that is unsustainable. In this case a £5,000 overdraft is relatively high – and over the years Mr and Mrs R had this high limit their circumstances would likely have changed. So I don't think HSBC has acted unfairly in looking to alter the level of credit afforded to Mr and Mrs R to ensure it is sustainable.

It says the review is based on several factors, some of which are commercially sensitive. However, it did explain that it will also look at the way an account is used, including how much is regularly borrowed and what is credited to the account.

From what Mr and Mrs R have said they rarely use the overdraft in the 30 years they have had it and when they have used it they do not go near their limit and never over it. I have looked at historic statements from the end of 2017 and I can see that prior to 2020 the overdraft was not used regularly – and when it had been this was generally for amounts around or lower than £2,000.

During 2020 until around mid-2022 there was fairly regular use of the overdraft and sometimes several thousand pounds, but it is in line with what Mr and Mrs R have said about some unexpected expenses during the pandemic. By mid-2022 it appears that the overdraft was brought back in credit and since then the overdraft use has been lower – and apparently not more than the £1,750 that HSBC has reduced it to.

So it appears that apart from what seems to be a more unusual pattern of account use during the pandemic, broadly Mr and Mrs R's use of the overdraft is consistent with HSBC's decision to reduce it to £1,750. And not something which will clearly disadvantage them based on what appears to be their usual use of the facility.

I also have to factor in here that HSBC has not closed the door on giving an increased limit to Mr and Mrs R in the future. It has explained to them that should the need arise for a greater limit they can apply for this (subject to up to date credit assessments). This doesn't seem unfair because it means HSBC can check any extra credit it grants Mr and Mrs R is appropriate based on their circumstances at the time – rather than those which applied many years ago.

So overall, I can't see that HSBC has used its discretion unfairly here. I can also see that it wrote out to Mr and Mrs R to explain what it was doing and gave sufficient notice as to when this change would come into effect. And when asked it broadly explained why it had reduced the overdraft.

Overall, I don't think HSBC has acted unfairly in the way it reduced the overdraft. So I don't think it needs to do anything more.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R and Mrs R to accept or reject my decision before 22 May 2024.

Mark Lancod
Ombudsman