

The complaint

A company, which I'll refer to as B, complains that HSBC UK Bank Plc set up the interest payments wrongly on its Coronavirus Business Interruption Loan (CBIL).

What happened

In 2021, B successfully applied to HSBC for a CBIL. The £50,000 loan was drawn down in April 2021.

Initially the CBIL agreement was for a variable interest rate. In June 2021, B applied for a fixed rate, which was agreed. Repayments were due to start in May 2022.

When the first repayment was taken, B saw that the amount was too much and contacted the bank. HSBC said the rate hadn't been fixed as agreed, so it adjusted the account, refunded £21.04 interest and offered £100 compensation for poor customer service. It later raised this to £150.

B wasn't happy with the bank's response and referred its complaint to us. Its director believed that the company was owed over £4,200 in overcharged interest.

Our investigator looked at the evidence and made his own calculations. He didn't think HSBC needed to make any further interest refund. He concluded that a fair and reasonable outcome of the complaint would be for HSBC to pay £480 to B for its accountancy costs, and to increase the compensation for poor customer service to £300. He gave the following reasons, in summary:

- The original fixed rate proposal from June 2021 set the expectation that there would be level monthly payments of £936.72 over the life of the loan. The fixed rate structure actually implemented by the bank has monthly capital repayments of £831.60 plus interest fixed at 4.69%, but the outcome over the life of the loan is the same. The difference is that under the original proposal, B would have paid less interest initially, but more later.
- Although HSBC has applied a repayment structure which is different from the proposal, B has serviced the CBIL well, and the interest payments will now decrease further. It therefore wouldn't be beneficial to change the structure back now. As the interest charged by the bank has been accurate for the current structure, it wouldn't be appropriate to refund any interest.
- HSBC had made errors and provided incorrect information, so the investigator thought B acted sensibly when it took advice from a professional about the figures for the repayments. That wouldn't have been necessary without the bank's errors. In the circumstances, the investigator thought it was fair to ask the bank to meet the cost of this advice.
- He thought £300 was more appropriate to reflect the inconvenience caused by the lapse of service.

B didn't agree with the investigator's conclusions. In summary, its director made the following points:

- HSBC never explained what B would pay, and still hasn't. Each month is like a lucky dip as to how much interest and at who knows what rate the bank chooses to debit from B's account.
- When B realised that HSBC was taking the payments as a variable loan, the company was concerned that the unknown repayments the bank choose to debit every month will get out of hand – worried about being able to afford a variable rate loan in the new sketchy financial climate
- This unjustified and unwanted uncertainty imposed on B by HSBC, coupled with the huge amount of time and focus spent on compiling the case, to the bank and to the ombudsman, means that B has been impacted much more than it may appear.
- This is particularly so in respect of patent renewals. B had patents across a number of countries with renewal fees paid up to 2022. As a result of both the time impact of having to fight HSBC and the non-affordability of the maladministered loan, the patent rights have lapsed in European countries.

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 done that, I've reached the same conclusions as the investigator.

I've looked at the current loan structure and at the capital and interest payments taken each month. There was an error in the first month, which was rectified, but I can see that the fixed rate has been applied after that. The interest is not being charged at a variable rate.

The monthly interest debited is 4.69% of the outstanding capital. There is also a monthly capital repayment of £831.60, which reduces the outstanding capital. As the outstanding capital diminishes each month, so the interest payment diminishes – because it's a percentage of the outstanding capital. The interest debited therefore isn't the same each month, but I don't agree that it varies like a lucky dip.

HSBC gave incorrect information in 2021 about the repayments in its original explanation of the fixed rate. If the bank hadn't made the error in the information it gave at the time, the loan would still have been structured as it is today.

Having done my own calculations, I agree the investigator that the total payments over the life of the loan, as currently structured, will be the same as they would have been under the payment structure in the bank's proposal in 2021. The balance will be fully repaid at the expiry of the loan. B has therefore suffered no financial loss because of the error.

I understand why B had an expectation that there would be a level payment each month and may have preferred that. But the repayment schedule has now reached the point at which the total capital plus interest due each month is equivalent to the monthly amount in the bank's 2021 proposal, and the interest payments will continue to decline each month, so the total due monthly will decline. In the circumstances, I don't think it would benefit B to restructure the payment schedule now.

I'm not persuaded that the gradually declining monthly interest payment would have been a source of such uncertainty as to cause B to decline to renew its patents after 2022, given what the company's director has said about the importance of the patents. I appreciate that the interest payments taken were at first higher than B expected. But comparing the amount with the turnover of the company, and taking into account that B has serviced the loan satisfactorily, I'm not persuaded that the level of the payments would have caused B to decline to renew its patents after 2022. Nor am I persuaded that making the complaint would have taken up so much of B's director's time that it would have prevented renewal of the patents.

I agree with the investigator that it wasn't unreasonable of B to seek advice from its accountant about the interest payments. I therefore think it would be fair for the bank to pay £480 for this.

My final decision

My final decision is that I require HSBC UK Bank Plc to pay the following to B:

- £480 for accountancy costs. Interest should be added at 8% per year simple from the time the costs were incurred to the date of settlement.
- £300 compensation in total for poor customer service.

Under the rules of the Financial Ombudsman Service, I'm required to ask B to accept or reject my decision before 11 November 2024.

Colin Brown
Ombudsman