

The complaint

Mr W is a sole trader. He complains that HSBC UK Bank Plc behaved unreasonably when it reduced the overdraft facility on the account he held with the bank.

What happened

Mr W held a business current account with HSBC with an overdraft facility of £30,000.

Mr W told us:

- His account was originally in his name as a sole trader, but he was a partner in a partnership, which I'll refer to as 'L,' and this was now the partnership account.
- L had suffered a drop in profits due to its premises being damaged during a storm. L had made a claim under its insurance policy, but due to the impact on the business, he had approached HSBC to increase the overdraft facility by £15,000 to £45,000 until the insurance claim was settled.
- HSBC had agreed the overdraft increase but had then removed the increased limit two months later without warning – despite the bank saying it would give him notice. He'd made several attempts to increase the overdraft again, but HSBC had declined these requests which he felt was unfair.
- When he'd called HSBC to complain that the limit had been reduced, the bank said one of the reasons for this was because the account was in his sole name, rather than L as a partnership. However, he'd told the bank in December 2023 that he was happy for this to take place and believed that HSBC was going to make the changes itself.
- He wanted the overdraft limit reinstated until the insurance claim was settled and for HSBC to stop harassing and threatening him about the overdraft whilst the complaint was with our service and for the bank to provide an apology for the distress and inconvenience caused.

HSBC told us:

- In December 2023, it had agreed an increase to Mr W's overdraft from £30,000 to £45,000, but this was only for a temporary period of two months. It had therefore reduced the overdraft facility at the end of February 2024 as agreed.
- As part of the overdraft increase agreement, it told Mr W that he needed to open a new current account as a partnership for L as the account in place currently was for Mr W as a sole trader.
- It told Mr W that no further borrowing requests would be considered until L had the right type of account for the trading entity. As Mr W hadn't opened a new account for

the partnership as requested, it had declined his application for the overdraft increase to be extended.

- As Mr W's sole trader account had been in excess of its agreed £30,000 overdraft limit, it had contacted him and requested that the excess be cleared as soon as possible.

Our investigator didn't recommend the complaint be upheld. She acknowledged that L had been through a difficult period, however she didn't think HSBC had made a mistake in reducing Mr W's overdraft. She was satisfied that the overdraft increase had only been agreed for two months and based on the calls and correspondence with HSBC and the Relationship Manager ('RM') that Mr W had been aware of this. She also noted that HSBC wouldn't increase L's overdraft as the bank said the company didn't meet its lending criteria. She thought this was a commercial decision that HSBC was able to make, and said that she couldn't tell HSBC that it should grant the overdraft increase as the bank hadn't done anything wrong.

The investigator also noted that Mr W felt he'd been bullied by HSBC, but she thought that it was reasonable for the bank to pursue L for the outstanding balance it was owed, and that HSBC had looked to support L by not applying interest or charges on the outstanding balance since February 2024 and agreed two months breathing space between June 2024 and August 2024.

Mr W didn't agree. He said he wouldn't have agreed to an overdraft increase for a brief period when he didn't know when L's insurance claim would be settled, and that he believed the overdraft increase would simply be extended as that's what his RM had said. So, he asked for an ombudsman to review L's complaint.

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 so, I'm sorry to disappoint Mr W, but there's not much more that I can add to what our investigator has already said.

Mr W says that the starting point of his complaint is that he wanted an increased overdraft for L until the company's insurance claim was settled and wouldn't have accepted a two-month increase. However, based on what I've seen I'm not persuaded that's the case. I've seen HSBC's case notes and facility letter to Mr W which show that the agreement was for a £15,000 increase solely for a two-month period, I haven't seen any evidence that this was expected or agreed to be renewed after this date. Furthermore, the bank's records also show that the two-month period and £15,000 increase was urgently requested because Mr W's account was reaching its limit and needed funds urgently. And that to support its application, L said it was expecting £15,000 of venture capital finance to be received at some point in the future.

I'm also satisfied based on the written evidence and the calls between HSBC and Mr W that the information about the increased overdraft terms and expiry date of the limit were clear. I also think that Mr W was aware of the two-month expiry date of the increased overdraft limit as he told our service that he expected the repayment date for the increased limit to be extended after the initial two months. I recognise that Mr W says he was told by the RM that he also expected the limit date to be extended, or he wouldn't have accepted this. But I haven't seen any evidence from either party showing that an extension past the two months was discussed, or that a follow-up meeting would be scheduled before the two-months

ended to make an extension application. I've listened to the calls between Mr W and the RM at the time of the application and I think the RM was clear that the increase was only for two months – which was acknowledged by Mr W.

I also haven't seen any evidence that Mr W approached HSBC for an extension to this initial two-month limit increase before it expired - only several months later when the bank started to chase for repayment of the overdraft excess. Furthermore, given that Mr W told the bank he was expecting additional funds from another source in December 2023, and that L was experiencing financial issues at that time, I'm not persuaded that Mr W would have declined the overdraft increase for the two-month period. Particularly given the number of applications that Mr W had submitted to the bank to increase his finance over a brief period of time and that in Mr W's calls with his RM where he said the business would 'go under' without this increase.

I think it's also worth noting here that the bank did say it would consider financing for L once it had opened a new account as a partnership, rather than for Mr W as a sole trader. I acknowledge Mr W says he believed that HSBC would make the changes to the account as required. However, I think the RM was clear when speaking to Mr W that he would need to open a new partnership account for L for future lending to be agreed, but they didn't want the requirement for a new partnership account to delay the two-month limit increase as Mr W urgently needed it.

I also think the RM was clear that they'd had to seek dispensation from their manager to assist Mr W with the limit increase being in his sole name at the time as this wasn't HSBC's agreed process. The RM was also clear that the bank would usually require the account type to match that of the entity who wanted to borrow and that they recommended Mr W start the process of opening a partnership account. I didn't hear the RM say a new partnership account application would be made on L's behalf, but Mr W did say 'he would see what he could do' – so I'm satisfied that Mr W was aware that he needed to take action to get the partnership account opened.

Furthermore, I think it's reasonable to believe that if Mr W thought HSBC was going to make the change to his account that it would have sent him and the other partner documentation to make the change. And that he ought reasonably to have cause for concern when he didn't receive this - as it was required for the overdraft limit increase to be extended – but I can't see that he queried this with the bank.

I acknowledge Mr W's thoughts about how HSBC has dealt with L's requests for finance and the difficulties that L has faced. However, HSBC isn't obligated to provide Mr W with an increase to his borrowing facility because he has asked for it. It's a commercial decision that the bank is able to make on whether it wishes to lend to a customer. It has explained its reasons for declining Mr W's borrowing requests since the limit increase expired in February 2024 and I'm satisfied that it has acted reasonably.

I recognise that Mr W says he's being harassed by HSBC. However, as I don't think it was unreasonable for the bank to remove the overdraft after the two-month expiry, I can't say that HSBC has behaved unreasonably by asking Mr W to repay the excess amount over the agreed £30,000 limit. Nor can I say that HSBC has behaved unfairly in saying it will remove the full overdraft limit and issue a formal demand if the excess isn't repaid as requested. I think it's worth noting here that overdraft limit granted by HSBC is an 'on-demand' facility. This means that under the terms of the facility, the bank can request immediate repayment of the full outstanding balance should it wish to do so.

I can see from HSBC's records that the account has been in excess of the agreed £30,000 limit since the increase expired at the end of February 2024, and that the bank has tried to

discuss this with Mr W throughout that time. I've seen that HSBC has taken additional actions such as waiving the interest and charges on the overdraft and allowing 60 days 'breathing space' from June 2024 to August 2024. So, I can't say that HSBC has behaved unreasonably here in requesting that Mr W repay the outstanding amount – particularly when Mr W has told the bank he's been expecting funds at various points but wouldn't be using these to repay the overdraft.

I'm sorry to disappoint Mr W as I know he feels strongly about his complaint, but I don't think HSBC has treated him unfairly here. I acknowledge that this has been a difficult time for Mr W and that he's told us that he is unable to make the required repayments on the overdraft. I would encourage Mr W to contact HSBC to discuss an affordable repayment arrangement as the lender should treat him fairly.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 19 November 2024.

Jenny Lomax
Ombudsman