

The complaint

Mrs B is unhappy with the service she received from HSBC UK Bank Plc surrounding her right to withdraw from a personal loan.

What happened

On 18 December 2023, Mrs B successfully applied to HSBC for a £10,000 personal loan, and she received the loan funds that same day. The terms of the loan included that Mrs B had a 14-day right-to-withdraw period wherein she could notify HSBC that she wanted to withdraw from the loan agreement, so long as she repaid the loan funds (with a pre-stipulated daily interest payment) within 30 days beginning the day after she notified HSBC within the 14-day period that she wanted to withdraw from the loan agreement.

On 1 January 2024, which was the 14th day of the 14-day right-to-withdraw period, Mrs B called HSBC and notified them that she wanted to withdraw from the loan agreement.

HSBC's advisor noted that Mrs B didn't have the money in her HSBC current account to repay the £10,000 loan capital at the time of the call. Mrs B responded that as per the loan terms she had thirty days to repay that balance (with a pre-stipulated daily interest payment) starting from 2 January 2024. HSBC's agent disagreed and said that if Mrs B paid at the end of January, that daily interest would be calculated as if Mrs B hadn't given any notice to withdraw within the 14-day period. Mrs B didn't agree with HSBC's interpretation of the loan terms, so she raised a complaint.

HSBC responded to Mrs B on 29 January 2024 and explained that while Mrs B had 14 days to withdraw from the loan, she had to repay the £10,000 capital balance within that 14-day period. HSBC also provided a loan redemption quote stating that if Mrs B redeemed the loan within the next few days, she would be charged interest of £322.03. Mrs B disagreed and maintained that a pre-stipulated daily interest amount of £3.32 for the 30-day post cancellation notification period should apply. So, she referred her complaint to this service.

One of our investigators looked at this complaint. But they didn't feel that HSBC had acted unfairly in how they'd managed the situation and so didn't uphold the complaint. Mrs B remained dissatisfied, so the matter was escalated to an ombudsman for 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 issued a provisional decision on this complaint on 5 November 2024 as follows:

I note that the HSBC loan credit agreement, provided to this service by HSBC, includes the following:

"You can withdraw from the agreement (without giving any reason)... within 14 days, starting the day after we confirm that we have signed the loan agreement. You must

repay the loan, without delay, within 30 days starting on the day after you tell us you want to withdraw with interest charged for each day until you repay. The daily interest amount is set out in the loan agreement.

Furthermore, the attached loan agreement then includes the following:

*“You can withdraw from the agreement (without giving any reason)... within 14 days, starting the day after we confirm that we have signed the loan agreement.
You must repay the loan, without delay, within 30 days, starting the day after you tell us you want to withdraw, with interest of £3.32 per day until you repay.”*

In consideration of this information, I’m satisfied that Mrs B was correct in her interpretation of the loan agreement, and that the information that Mrs B received from HSBC’s telephony agents and HSBC’s complaints team was incorrect.

Having listened to several calls between Mrs B and HSBC, I note that when Mrs B called HSBC on 15 January 2024, she asked the following:

“If I pay the loan back today or tomorrow, what is the interest that’s charged?”

I feel that this statement indicates that Mrs B was looking to repay the £10,000 capital balance, with the applicable £3.32 daily interest, by 16 January 2024. Had she done so, she would have been liable to have paid 15 days of £3.32 daily interest, equating to £49.80. This means that Mrs B would have needed to have paid £10,049.80 on 16 January 2024 to have repaid her loan in line with right-to-withdraw terms of that loan.

Notably, Mrs B’s HSBC current account statement shows that she received a large sum into her account on 16 January 2024 which made the balance of the account more than £10,049.80. As such, I’m satisfied that if Mrs B had been given correct information by HSBC when she called them on 15 January 2024, that she would in all likelihood have repaid her loan in line with the right-to-withdraw terms of the loan on the following day.

Accordingly, in consideration of all the above, I’ll be provisionally upholding this complaint and instructing HSBC to accept a payment of £10,049.80 (minus any further payment amounts that Mrs B may have made toward the loan since 16 January 2024) on the condition that Mrs B makes that payment within 30 days, starting the day after I issued a final decision on this complaint.

If Mrs B makes such a payment, HSBC must consider Mrs B to have paid £10,048.90 on 16 January 2024 and to therefore have fulfilled the right-to-withdraw terms of the loan at that time. And HSBC must correct their credit file reporting regarding this loan accordingly.

If HSBC have received payment from Mrs B in excess of the £10,048.90 that she should have paid on 16 January 2024, then HSBC must reimburse that excess amount to Mrs B along with 8% interest.

Finally, HSBC’s lack of understanding of their own loan terms has clearly caused Mrs B a degree of frustration and inconvenience that she reasonably shouldn’t have had to incur here. And because of this my provisional instructions to HSBC also include that they must pay Mrs B a further £400 as compensation for the poor experience that she’s had to endure.

In arriving at this compensation amount, I’ve considered the trouble and upset that Mrs B has incurred, as well as the general framework that this service uses when assessing compensation amounts, details of which are available on this service’s website. And, having done so, I feel that £400 is a fair compensation amount.

Mrs B responded to my provisional decision and confirmed she was happy to accept it. And Mrs B also confirmed that she had already made a payment to HSBC in excess of what she owed as per my provisional decision, such that she had made an overpayment.

HSBC also responded to my provisional decision and confirmed that they were in acceptance of it. HSBC confirmed that Mrs B had made payments to the loan totalling £10,356.18, and so had overpaid the loan, as per my provisional decision, by £306.38, which HSBC agreed to reimburse to Mrs B along with 8% interest on that amount calculated from 16 January 2024.

HSBC also agreed to backdate the date of loan settlement on Mrs B's credit file to 16 January 2024, and to pay a further £400 to Mrs B as compensation for the trouble and upset she'd incurred here. And I'm satisfied that HSBC's agreement in these regards is in line with what I provisionally instructed above.

As such, I see no reason not to issue a final decision here whereby I uphold this complaint in Mrs B's favour on the basis as described. And I therefore confirm that my final decision is that I do uphold this complaint on that basis accordingly.

Putting things right

HSBC must reimburse £306.38 to Mrs B along with 8% interest calculated from 6 January 2023 to the date of reimbursement to Mrs B.

HSBC must also backdate the date of loan settlement on Mrs B's credit file to 6 January 2024.

Finally, HSBC must pay a further £400 to Mrs B as compensation for the trouble and upset that she incurred.

My final decision

My final decision is that I uphold this complaint against HSBC UK Bank Plc on the basis explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 12 December 2024.

Paul Cooper
Ombudsman