

The complaint

Mr J, a sole trader trading as S, complains that HSBC UK Bank Plc returned a direct debit unpaid – leading to one of S's main suppliers cutting S off. He also complains that HSBC unnecessarily put stress and pressure onto him and his family when it reduced his overdraft.

Mr J is represented in this complaint by his mother, Mrs J.

What happened

This complaint is about a direct debit that was due to be paid by Mr J to one of his suppliers on 22 May 2024. HSBC returned the direct debit unpaid, because the bank said that Mr J didn't have enough money in his account to cover the payment.

Mrs J accepts that the account balance wasn't high enough to cover the payment, but in her view that is not the point. She said that HSBC had reviewed S's account in 2023 and reduced its overdraft by £1,000 per month, which she felt was unfair. She and Mr J had asked HSBC if the overdraft could be consolidated into a loan to reduce costs, but the bank unreasonably refused. Mrs J's view is that if HSBC had treated Mr J fairly in the past, there would have been enough money in his account to cover the direct debit.

Mrs J also told us that Mr J was involved in an accident the day before the direct debit was due, and so she couldn't pay money into the account as she normally would have done. She noted that HSBC hadn't phoned her or Mr J to warn them that there wasn't enough money to pay the direct debit – and in any event the account was only short by a very small amount.

One of our investigators looked at this complaint, but she didn't uphold it. She acknowledged that Mr and Mrs J were unhappy about HSBC's lending decisions – and in particular the bank's decision to reduce S's overdraft – but she didn't think HSBC had done anything wrong. She also noted that Mr J had agreed to reduce the balance of his overdraft. Ultimately, she thought that it was fair for HSBC to return the direct debit unpaid because funds were not available.

Mrs J did not accept our investigator's opinion, and so the matter was referred to me.

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, there is very little I can add to what our investigator has already said. I know Mrs J feels very strongly about this complaint, but our investigator was right to say that HSBC returned the direct debit unpaid because S's account did not have sufficient funds to cover the payment. It was Mr J's responsibility as the account holder to ensure that there was enough money in the account to cover payments. That is true even if the account was only short by a few pounds.

I was very sorry to hear that Mr J was involved in an accident. He and Mrs J have clearly gone through a difficult time, and I thank them for their openness in discussing their circumstances with us. But I'm satisfied that HSBC did not about the accident when it returned the direct debit. Even if it had known about the accident, it was still not HSBC's responsibility to ensure that S had sufficient funds in place to cover payments, and it was not HSBC's responsibility to remind Mr J or his mother to fund the account.

I know Mrs J considers it is extremely unfair that HSBC reduced S's overdraft by £1,000 a month whilst also denying a loan. But as our investigator correctly said, HSBC is entitled to set its own lending criteria. I see nothing unfair about what HSBC has done here, nor do I see any basis on which I could interfere with HSBC's exercise of its commercial judgement.

I'm aware that Mrs J has said that S was allowed to borrow more in 2019 than in 2024, even though S's turnover was higher in 2024 than it was in 2019. However, I would expect banks like HSBC to take several factors into account before deciding whether to lend, and not just turnover. In any event, banks are entitled to change their lending criteria. Even if HSBC would have been happy to have offered S a loan in 2019, that doesn't mean the bank was required to offer a loan in 2024.

Mrs J is right to say that HSBC has benefitted from the interest that it charged on S's overdraft. But again, I see nothing wrong in that. HSBC offered lending facilities to Mr J on particular terms, and Mr J accepted the bank's offer. It's clear that he would have preferred different facilities and different terms. Mrs J has said that he had no practical alternative to accepting the bank's offer of a reduced overdraft. But nevertheless, Mr J did agree to reduce his overdraft and I do not criticise HSBC for holding him to that agreement.

I can also see that HSBC has written to Mr J several times to formally express its concerns about his business (including on the day that it returned the direct debit at the centre of this dispute). The bank said it was concerned that Mr J had insufficient funds available for the bank to process cheques, direct debits, and other payments on Mr J's behalf. It explained that Mr J could get "free help and advice from various impartial organisations", and asked for his proposals to resolve matters. I would expect banks to treat customers in financial difficulty positively and sympathetically, and in this case I consider that HSBC's actions were fair and reasonable.

My final decision

My final decision is that I do not uphold this complaint about HSBC UK Bank Plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask S to accept or reject my decision before 1 May 2025.

Laura Colman
Ombudsman