

The complaint

Mr and Mrs G complain that HSBC UK Bank Plc withdrew access to the reserve facility on their mortgage account.

What happened

Mr and Mrs G had a HomeOwner Reserve account with HSBC – a form of flexible mortgage account which allowed them to pay in and withdraw money freely, provided their borrowing didn't exceed an agreed facility limit. The account did not have a fixed term; it operated on an open-ended basis. Interest would be added to any debit balance, and the monthly payment was calculated at 1/125 of the current facility limit. Mr and Mrs G's account had a facility limit of £10,000.

HSBC has not offered these accounts to new customers for many years, but it has allowed existing customers – such as Mr and Mrs G – to continue to operate their existing facilities. In 2024, however, it decided that it no longer wanted to allow existing accounts to continue to operate. It wrote to Mr and Mrs G telling them that they would no longer be able to drawdown from their reserve facility. And it said that once the outstanding borrowing reached zero the account would be closed. In the meantime, it would reduce the interest on the outstanding balance to 0%.

Prior to receiving the letter, Mr and Mrs G had tried to make a withdrawal from their facility online but had been unable to. They rang HSBC to find out why, but the adviser they spoke to was unable to explain why they were unable to make a withdrawal.

Mr and Mrs G complained. They said they made regular use of the account and it formed part of their financial planning. They didn't agree that HSBC was entitled to withdraw it or that it had acted fairly in doing so. They had planned to make use of the borrowing facility to fund some home improvements. They wanted the account reinstated.

HSBC said that when Mr and Mrs G tried to make a withdrawal it had already decided to suspend the facility but hadn't yet sent notifications to customers or briefed frontline staff. It offered £50 compensation for the confusion caused when its adviser wasn't able to explain what the problem with the account was. But it said it had acted fairly, and within the terms and conditions, in withdrawing the facility.

Our investigator thought that HSBC had made a fair offer to resolve the complaint. Mr and Mrs G didn't agree, and asked for an ombudsman to 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 think it's important first of all to understand that there are two separate decisions here – the decision to reduce the facility limit to prevent further borrowing, and the decision to close the account.

HSBC told Mr and Mrs G about the reduction of the facility limit after it had already happened. This meant that they were prevented from making any further withdrawals from the account immediately and without warning.

But HSBC didn't close the account immediately. It still hasn't closed it. The account will only close once the existing balance is paid off – and HSBC has reduced the interest rate to 0% in the meantime.

The starting point for thinking about whether HSBC was entitled to do what it did is the terms and conditions of the reserve account. They include the following conditions:

2. The limit on the Account shown in Section 4 above is stated in the offer but we may at our discretion vary the limit.

...

6. Any changes to the interest rate will take effect immediately, but we will give you notice of any change.

...

10. You may close the Account at any time by paying us the outstanding balance plus interest due. We may close the Account at any time by giving you 30 days prior written notice.

Condition 2 covers the decision to reduce the facility limit. It says that HSBC can reduce the limit at any time, at its discretion.

I'm satisfied that this means that HSBC was entitled to reduce the limit to prevent Mr and Mrs G taking further borrowing – and that, under the terms and conditions, it didn't need to give them notice of that in advance.

Once it suspended further borrowing, HSBC reduced the interest rate on the outstanding balance to 0%. This is permitted by condition 6.

Finally, condition 10 says that HSBC can close the account by giving 30 days' notice. It gave more than 30 days' notice of its intention to close the account once the outstanding borrowing was repaid, so this decision was also permitted by the terms and conditions.

I'm therefore satisfied that HSBC was entitled to do what it did by the terms and conditions of the account – but that's not the end of the matter. It also has obligations to treat customers fairly. So I also need to think about whether, by taking these decisions, HSBC caused unfairness to Mr and Mrs G.

HSBC says that it decided to take these steps with all outstanding HomeOwner Reserve accounts, not just Mr and Mrs G's account. It has therefore treated all customers in the same way. It says that there were various reasons for this decision – this is an old type of account which hasn't been offered to new customers for 20 years. Regulatory standards have changed a lot in the meantime. It's concerned that by continuing with the account, it is allowing borrowers access to an open-ended borrowing facility indefinitely, which allows them to increase their debts – debts secured over their homes – without any checks on whether doing so is affordable. Current mortgage rules require lenders to check borrowing is affordable before lending more money. Allowing borrowers access to further secured borrowing they might not be able to afford isn't in their best interests.

I don't think it was unreasonable for HSBC to decide that it no longer wanted to offer accounts of this type, given the changes in regulation and consumer protection that have taken place since these accounts were first taken out. But even if it was in general fair for HSBC to take these steps, I also need to think about whether, in their particular circumstances, doing so resulted in unfairness to Mr and Mrs G.

I've thought very carefully about this. I've taken into account everything Mr and Mrs G have said. But, on balance, I'm not persuaded that HSBC did treat them unfairly.

I've seen that in the annual statements, HSBC included the following reminder of the terms:

Your HomeOwner Reserve is an open ended facility but can be withdrawn on 30 days' notice (or immediately in certain circumstances specified in the terms and conditions).

So HSBC did regularly remind Mr and Mrs G that the account could be withdrawn at any time. Although this was a general reminder of HSBC's powers, not a warning that it actually intended to withdraw the account at any specific time, it did draw Mr and Mrs G's attention to the fact that the account might not be available to them indefinitely.

HSBC says it didn't give notice of the reduction of the facility limit, because the terms and conditions don't require it to, and because it was concerned that if it did give advance notice there was a risk that some customers might withdraw funds right up to the limit to take advantage of 0% borrowing when that might not be necessary or appropriate, or affordable for them. Even if no interest is charged, borrowers still have to repay the capital balance.

It's true that the terms and conditions don't require notice. And HSBC's concern was a reasonable one. But addressing that concern in this way comes with a risk that, in some situations, preventing withdrawals with no notice might cause unfairness – for example, where a borrower has temporarily paid money in expecting to withdraw it shortly, or has committed to major expenditure expecting to be able to fund it by borrowing on the facility not knowing they won't be able to. That might result in unfairness in some cases.

With that in mind, I've considered how Mr and Mrs G were making use of the account. It's clear from what they've said, and this is supported by the account's annual statements, that they used it regularly to manage routine day to day expenditure. Mr G has explained that he doesn't generally use direct debits, but prefers to pay bills and other obligations manually. He moves money around between his accounts and makes payments through the reserve account, and also finds it convenient to make use of the borrowing facility temporarily from time to time to fund payments out rather than using sums held in credit in other accounts.

I can see that Mr and Mrs G are accustomed to using the account in this way, and it's both convenient and familiar for them. But they weren't dependent on using this account, or on using the borrowing facility, for managing their regular expenditure. They also had a current account and substantial savings with HSBC. The reserve facility wasn't necessary to finance their routine expenditure, and it was relatively straightforward to switch to making payments as and when needed from the current account instead. Mr G says closing the account caused a problem because they lost access to the list of saved payees and had to find details again. But HSBC says it could have moved this to the current account if Mr and Mrs G had asked it to.

Taking everything into account, while I agree that having to switch from making payments from the reserve account to making payments from their current account would have caused Mr and Mrs G some inconvenience, I don't think the closure of the reserve account meant that they were no longer able to do so. Weighing up that inconvenience against HSBC's

contractual entitlement to take the steps it did, and its reasons for doing so, I'm not persuaded that doing so resulted in substantial unfairness to Mr and Mrs G.

Mr and Mrs G have also said that they had more substantial plans for the reserve facility. They were in the process of planning some home improvement works, which they intended to fund from the reserve facility. But I don't think this meant that withdrawing the facility was unfair either.

The quote that Mr and Mrs G obtained is for over £36,000 – but the reserve facility was only £10,000. The facility would never have been enough to fund the works even if it was still available to them. Mr and Mrs G had substantial savings, which would have been enough to fund the works – though I understand why they preferred not to use those savings to fund all of it, and ended up borrowing from another bank as a personal loan.

But I don't think that this caused Mr and Mrs G any loss. They've still been able to fund the works despite the removal of the reserve facility. The loan they ended up taking was a £10,000 personal loan at an interest rate of 6.03% - but the interest rate on the reserve account, before it was withdrawn, was 6.25%. So Mr and Mrs G have not lost out – they're now paying less interest on their personal loan than they would have done if they had taken the full £10,000 reserve limit. And the personal loan is not secured over their property. Taking a personal loan instead of using the reserve facility has saved them interest.

On balance, therefore, I'm not persuaded that HSBC's decision to withdraw the reserve facility resulted in unfairness to Mr and Mrs G in their particular circumstances. They were no longer able to use the account as they had been doing, which caused them some inconvenience while they made alternative arrangements. But it didn't prevent them continuing to manage their day to day expenditure, and it didn't prevent them from carrying out their wider plans.

I also don't think the decision to close the account resulted in any unfairness. While the balance remains outstanding, HSBC is now charging no interest – which means that Mr and Mrs G will pay less on their outstanding borrowing than they otherwise would have done. But it is not requiring Mr and Mrs G to repay the outstanding borrowing in one go, or over a shorter period than they otherwise would have done. The account will remain open until Mr and Mrs G have repaid the borrowing via their normal monthly payments (unless they choose to repay it sooner), without the ability to take further borrowing, and once everything is repaid the account will then close. I think that's fair.

Finally, I've considered whether the failure to give more notice of the withdrawal of the ability to take further borrowing resulted in unfairness. I've said that the terms and conditions don't require HSBC to give notice. And it's explained that it didn't do so to remove the risk that some borrowers might borrow more than they could afford to take advantage of the now 0% interest rate. Those are reasonable concerns. But the lack of notice did mean that Mr and Mrs G were suddenly and unexpectedly unable to pay their bills from this account online – though they could have done so from their other accounts, this did cause them some inconvenience. As did the confusion when they rang HSBC to find out why they could no longer use the account and weren't given a clear answer. HSBC has apologised for that and offered £50 compensation. It's clear Mr and Mrs G were frustrated and inconvenienced by that. But as I've explained HSBC did act fairly overall, even if it should have made sure its advisers were able to answer questions that customers would inevitably have. And Mr and Mrs G were able to pay their bills, albeit from a different account, and fund their home improvements. In the circumstances, I think HSBC's offer is a fair one.

My final decision

My final decision is that I'm satisfied that HSBC UK Plc has made a fair and reasonable offer to resolve this complaint and I don't require to take any further action.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G and Mr G to accept or reject my decision before 5 May 2025.

Simon Pugh
Ombudsman