

## **The complaint**

Mr G complains as a sole trader that HSBC UK Bank Plc is unfairly holding him personally liable for a bounce back loan ("BBL") that he intended to take out on behalf of his limited company.

## **What happened**

In 2012, Mr G opened a business bank account with HSBC as a sole trader.

In May 2020, Mr G completed an application for a £50,000 BBL. The application was in the name of a limited company, which I'll call S, and Mr G signed as director.

HSBC sent back a BBL agreement in the name of Mr G and he signed it. HSBC paid the proceeds into Mr G's sole trader account.

Repayments were made to the BBL from 2021-2023.

In 2024, Mr G informed the bank that S was no longer able to make its BBL repayments and the business had never recovered after the pandemic.

HSBC told Mr G that he was personally liable for the BBL.

Mr G complained, but HSBC didn't think it had done anything wrong.

Mr G asked the Financial Ombudsman to look into what had happened. One of our investigators did so and concluded it wasn't fair to hold Mr G liable. She also recommended that HSBC pay him £300 for the distress caused by pursuing Mr G personally.

HSBC disagreed and asked for an ombudsman's decision. The bank said the business had always operated as a sole trader, regardless of the name on the application form.

## **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 don't think there's any real dispute in this case that Mr G applied for the BBL on behalf of his limited company, S, the name of which he put in full on the application form. I also don't think there's any dispute that the only business current account he held with HSBC was a sole trader account.

The bank argues that, notwithstanding the applicant name on the BBL application, Mr G was actually trading as a sole trader and always had done. So it was reasonable for it to have put the BBL in his name. I don't think this argument stands up to scrutiny.

HSBC's main evidence in support of its position is the fact that it carried out two Know Your Customer checks, the latest of which was in 2018. During these reviews, Mr G didn't tell the bank that his business was a limited company. I've looked at the 2018 form and I agree with our investigator that the questions asked do not demonstrate that the business operated as a sole trader and not as a limited company. It seems to me that he has interpreted the form as asking about the account he held with them, which he knew was a sole trader account in his personal name. In any case, I don't think a 2018 Know Your Customer check should countermand the information given in an application form two years later.

I also note that Mr G supplied HSBC with a copy of his personal tax return as part of the BBL application form (because he indicated on the form that he had a personal account rather than one in the name of S). This tax return, had the bank looked at it, showed clearly that he was not a sole trader at that time, as his only income was from salary and dividends.

I can also see from HSBC's own internal notes that in December 2020, the bank identified what it called an "entity mismatch" – in other words, that the application form was in a different name - and attempted to phone Mr G about this. The phone call was unsuccessful and the bank then took no further action. So HSBC were aware there was a problem but chose to do nothing about it.

I have borne in mind that BBLs were a unique product for a unique time. Banks were expected to deliver the loans at pace and were not expected to do all the usual checks before agreeing to BBLs. Nonetheless, I think there is a difference between not performing checks and not taking any notice of the applicant name. An application form was a requirement of the scheme, so I think it follows that the bank should have taken some notice of the information that application contained. My conclusion, like our investigator's, is that HSBC ought reasonably to have identified the applicant mismatch at the time of the application and got in touch with Mr G to clarify it.

If HSBC had got in touch with Mr G following receipt of the application, I think it more likely than not, that the bank would have ended up opening a current account in the name of S before Mr G then reapplied for the BBL using the new account number for S. So I think that, if everything had gone to plan, HSBC would have produced an agreement in the name of S.

Instead of identifying the mismatch, HSBC sent back an agreement in the name of Mr G. I understand this was because the bank used the current account details given to generate automatically the name on the agreement. This was a choice the bank had made, and I consider that by choosing to use the account details in this way, HSBC was accepting the risk of errors such as this one.

I accept that Mr G then also made an error by not noticing the agreement HSBC sent was in his sole name and signing it. But Mr G had applied on behalf of S, so he was expecting an agreement in that name. I also agree with our investigator that HSBC made this harder to spot by quoting S's name in full as the recipient of the drawdown. This was a further error by the bank, since the current account number quoted clearly wasn't in S's name.

I consider that Mr G's mistake in not noticing the name on the loan agreement only occurred because of the bank's prior errors in putting the agreement in the wrong name. I don't think it would be fair to hold him responsible for a failure to spot a mistake the bank should not have made.

Mr G has also sent me some contemporaneous correspondence with his accountant, which further demonstrates that he was aware that his business account was in a different name from the trading entity, but his accountant had told him that the account was effectively holding S's funds in trust, which he didn't think was a problem. I realise that HSBC wasn't aware of this correspondence, but I think it is a further indication of the reality of the position, which is that S was the trading entity and the beneficiary of the BBL proceeds. It is also further evidence of Mr G's good faith. The BBL appeared in S's balance sheet, because both Mr G and his accountant believed it to be in S's name.

In summary, I am satisfied that Mr G applied for a BBL on behalf of his limited company and believed that is what HSBC had provided. The limited company then used the money, albeit using an account in the wrong name for its trading. The bank, however, created a BBL agreement in Mr G's sole name in error. I do not think it is fair to hold Mr G personally liable in these circumstances and I am therefore upholding this complaint.

### **Putting things right**

To put things right, my intention is to put Mr G into as close as I can to the position he would have been in were it not for HSBC's mistake. In order to do this, I consider the bank should:

- Cease to pursue Mr G for the outstanding BBL debt.
- Remove any adverse entries relating to the BBL from Mr G's personal credit record.

Mr G has told us that being pursued personally to repay the BBL has caused him significant stress and anxiety. I agree with our investigator that an award of £300 compensation in recognition of this is fair.

### **.My final decision**

I uphold this complaint and direct HSBC UK Bank Plc to cease to hold Mr G personally liable for the BBL, remove any adverse credit information relating to the BBL from Mr G's record and pay him £300 compensation for the distress caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 30 October 2025.

Louise Bardell  
**Ombudsman**