

The complaint

Mr H complains that HSBC UK Bank Plc withdrew access to the reserve facility on his flexible mortgage account, meaning he could no longer withdraw funds he had recently paid in.

What happened

Mr H had a HomeOwner Reserve account with HSBC – a form of flexible mortgage account which allowed him to pay in and withdraw money freely, provided his 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.

HSBC has not offered these accounts to new customers for many years, but it has allowed existing customers – such as Mr H – 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 H telling him that he would no longer be able to draw down from the 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%.

Mr H complained. He said that he had used this facility to manage his finances for many years and there was no reason for it to be withdrawn. He was a creditworthy customer who always operated the account appropriately. It wasn't fair to withdraw the reserve facility when Mr H relied on it and had a reasonable expectation that he would continue to be able to do so. This was, he said, a breach of contract for frustration, and unfair.

Mr H said the withdrawal of the reserve facility had a particular impact on him, and it had greatly disrupted how he managed his finances. Just before HSBC withdrew the facility and notified him it had done so, he had made a substantial deposit, of around £152,000, from the realisation of an investment. He had not done so with the intention of permanently reducing his borrowing; he used the account as a bank account and had intended to withdraw the funds again shortly but was no longer able to do so. This had seriously disrupted his financial planning. He had to sell other investments to raise alternative funds, and also had to borrow money from a family member to repay an £11,000 debt he would otherwise have repaid from the reserve facility.

Mr H said that he had been left significantly out of pocket as a result. To resolve the complaint, he said that he wanted HSBC to reinstate the reserve facility and allow him to continue using it. And he wanted HSBC to reimburse him for the additional costs he's incurred in raising funds over and above the interest he would have been charged had he withdrawn the money he'd paid into the reserve back out again. He also wanted it to compensate him for the upset caused.

HSBC said it hadn't acted unfairly. It hadn't offered this account to new borrowers for many years, and it no longer thought that it was appropriate to allow existing accounts to continue. Although it had withdrawn the reserve facility with no notice – preventing borrowing

increasing – HSBC had not required Mr H to repay his existing borrowing immediately. It would allow the balance to be reduced over time by the normal monthly payments. And in recognition that the account no longer offered the flexible features, it would not charge interest on the remaining balance in the meantime. HSBC said it hadn't made this decision in respect of Mr H or his conduct of the account specifically. It said it had made the decision to withdraw this product in its entirety, so Mr H had been treated the same as all other borrowers with a HomeOwner Reserve account who had also had their facility withdrawn.

Our investigator thought that it wasn't unfair that HSBC had decided to withdraw the reserve facility. But she said that doing so with no notice had left Mr H in a difficult position. She said she wasn't persuaded that if it had given notice – but then charged interest on withdrawals between the giving of notice and the removal of the reserve limit – Mr H would have done anything differently. So she didn't consider that HSBC should reinstate Mr H's reserve limit or compensate him for the costs of using alternative funds. But she said that the lack of notice had left Mr H in a difficult position in respect of the £11,000 bill in particular. Although he had managed to meet that bill by borrowing from a family member, he was caused significant last-minute upset. She said HSBC should pay him £500 compensation for that.

HSBC accepted the investigator's view of the complaint. But Mr H didn't. He said that even if HSBC was contractually entitled to do what it did, doing so didn't result in good customer outcomes. HSBC wasn't considering the interests of its customers, it just wanted to get rid of these accounts in its own interests. He said that, given the upset he'd been caused and the amount of time he had had to spend on trying to get things resolved, £2,500 would be fairer compensation. He said that the offer of 0% interest while the balance was repaid was essentially worthless as most customers would simply repay and move elsewhere. He also said that offer showed that HSBC knew it was acting unfairly – otherwise why would a bank agree to lend at 0% interest?

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 H about the reduction of the facility limit after it had already happened. This meant that he was 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. It's given notice of its intention to close it in the future, but the account will only actually 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 H taking further borrowing – and that, under the terms and conditions, it didn't need to give him notice of that in advance. The 30 day notice requirement only applied to the decision to close the account once the borrowing had been repaid. There is no specific requirement to give any notice of a change to the limit without closing the account.

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 H.

I'm satisfied first of all that this decision was not made as a result of anything to do with Mr H or his conduct of the account. He was not "de-banked" – in the sense that HSBC decided that it no longer wanted a customer relationship with him specifically. This was a decision HSBC made to withdraw a product from all customers that had the product – not a decision to no longer do business with Mr H specifically. Mr H's other accounts with HSBC continue as normal.

I can also understand why, in general terms, HSBC didn't give notice of its decision to reduce the facility limit. As I've said, it wasn't contractually required to do so. One of the reasons for withdrawing the product was a concern that customers had access to substantial increased borrowing facilities without recent affordability assessments having been done – especially because the product was an open-ended one with no end date.

If HSBC gave notice of its intent to reduce the reserve limits, there was a risk that some customers might make substantial withdrawals ahead of the reduction – increasing their balances and creating the risk of the sort of affordability problems HSBC was trying to avoid by removing the facilities. That is not to suggest that there are any grounds for believing that Mr H himself might be at risk of affordability problems if the reserve continued to be available. But it is a relevant consideration that, in general terms, HSBC was concerned about this and took a consistent approach to all customers.

Nevertheless, taking that sort of consistent general approach might result in unfairness in individual cases. On balance, I think this is one of those cases. This isn't a situation where Mr H wasn't making use of the facility, or wanted to substantially increase his overall indebtedness. Rather, he'd paid in a large sum of money – only ever intending that to be temporary and expecting to be able to withdraw it again shortly – and was then prevented from withdrawing it again. Because this happened to coincide with the period when HSBC withdrew the reserve facility, he lost access to that money. If HSBC had made that decision

a few weeks earlier, Mr H wouldn't have paid the money in; if it had made the decision a few weeks later, he would have been able to take it back out again. The coincidence of timing means Mr H lost access to the proceeds of realising an investment which he was always intending to use for other purposes rather than making a long-term reduction in the balance of his reserve facility.

I've therefore thought about whether it would be fair to require HSBC to give Mr H access to the money that he paid in to the account before the reserve limit was withdrawn. But on balance I'm not persuaded it would be. HSBC's concerns about continuing to offer this facility to customers were legitimate ones. It took steps to balance that with the impact of withdrawing it on customers, not least by ensuring any remaining borrowing would be interest free. I don't interpret that as an admission of guilt, but as a recognition that the product would no longer work in the way customers wanted and could only be repaid over time.

It's true that the impact of the withdrawal on Mr H meant he lost access to money he would have used for other purposes. But it did also reduce his indebtedness to HSBC. He says he would always have used his investments to repay the balance eventually anyway, and there's no guarantee of future increases in the value of his investments had he repaid this part of the balance at some time in the future instead – especially compared to the 6.25% borrowing cost he would have paid had the facility not been withdrawn. And while Mr H had his plans disrupted in the short term, he wasn't caused financial difficulty and was able to repay his debts using other assets. I'm not persuaded that requiring HSBC to re-lend those funds to Mr H at 6.25% interest is necessary to fairly resolve this complaint.

I've also not seen evidence that Mr H was caused direct financial loss. He's lost out on access to the investment proceeds, but they have been used to reduce his debt to HSBC. He was able to repay his other debts – with some short term difficulty, but he did have sufficient assets to do so.

In terms of the wider impact, I appreciate that Mr H relied on the reserve facility to manage his affairs – as he puts it, using the borrowing facility to smooth out his lumpy income. Rearranging things having lost access to the account will have caused him some inconvenience. But HSBC has always made clear that while this was an open-ended facility (in that it had no end date), it could be withdrawn at any time. I've not seen that Mr H is without other options, even if they're ones he'd rather not take up.

I do think the lack of notice, meaning that Mr H lost access to the investment funds, did cause him avoidable upset and inconvenience in the short term. He had to make other arrangements to repay the liabilities he was going to use these funds for. Not only did that cause him frustration, it also led to a difficult conversation with the family member he took a short-term loan from. I can't compensate the family member for the upset they were caused, as they are not party to the complaint. But I think it's reasonable to take into account the impact of the upset and embarrassment this conversation caused Mr H.

I've considered what Mr H says about the appropriate measure of compensation. I take the point that £500 is a trivial sum to HSBC. But our awards aren't measured by the means of, or impact on, the firm complained about – they're measured by the impact on the complainant. There are guidelines on appropriate awards which I've taken into account.¹ HSBC's withdrawal of the facility with no notice, requiring Mr H to make different arrangements quickly, caused him both inconvenience and upset. The impact was relatively substantial, but also relatively short-term, ending once he had put other arrangements in place. Bearing

¹ See <https://www.financial-ombudsman.org.uk/businesses/resolving-complaint/understanding-compensation/compensation-for-distress-or-inconvenience>

in mind the guidance on awards, I agree with our investigator that £500 is fair compensation.

My final decision

My final decision is that I uphold this complaint, in part, and direct HSBC UK Bank Plc to pay Mr H £500 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 21 July 2025.

Simon Pugh
Ombudsman