

The complaint

Mr M complains that HSBC UK Bank Plc increased the interest rate when he cancelled a loan application and applied for a smaller loan.

What happened

On 29 March 2024 Mr M applied for a loan with HSBC for £24,300 over a 48 month term. HSBC offered him a loan with an interest rate of 5.9%.

On 2 April 2024 Mr M contacted HSBC and said he only needed to borrow £20,000.

HSBC advised Mr M that he could either cancel the existing application and reapply for a smaller loan, or he could continue with his existing application and make an overpayment to reduce the term (but not the repayments).

Mr M decided to cancel his existing application. He reapplied the same day for a smaller loan. The loan was approved with an interest rate of 8.9%.

Mr M was unhappy that the interest rate had increased but he accepted the offer. He later complained to HSBC and asked them to reduce the interest rate.

HSBC didn't uphold the complaint, so Mr M brought his complaint to this service.

Our investigator didn't uphold the complaint. He said it was for HSBC to decide the interest rate it was willing to offer and for the consumer to accept or decline.

Mr M didn't agree so I've been asked to review the complaint.

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 know it will disappoint Mr M, but I agree with the investigators opinion. I'll explain why.

I've reviewed the application history. Mr M cancelled his first loan application and reapplied for a smaller loan. This was approved but the interest rate was higher.

I can see that the second application was referred to the underwriting team for approval. The loan was approved and the interest rate offered was 8.9%.

Mr M accepted the offer at this interest rate. I appreciate that he now says that he's unhappy with the interest rate, but it was his choice whether to accept it at the time.

I've reviewed the relevant documents and I'm satisfied that HSBC clearly communicated the key features of the loan including the interest rate, the monthly repayments and the term. So

I'm satisfied that Mr M was provided with enough information to make an informed decision on whether to accept or decline the offer.

I appreciate the Mr M feels that he should've been offered the same interest rate as he was initially. However, HSBC is allowed to make its own commercial decisions about who to lend to and at what rate. I'm unable to say that HSBC has made an error or treated Mr M unfairly.

My final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 18 August 2025.

Emma Davy
Ombudsman