

The complaint

Mr K is unhappy HSBC UK Bank Plc (HSBC) reduced the arranged overdraft limit from £5,000 to £200 on his personal current account.

What happened

Mr K was approved for an arranged overdraft limit of £5,000 in August 2020.

On 8 April 2025 Mr K received a letter from HSBC explaining that his arranged overdraft limit would be reduced to £200 from 11 May 2025.

Mr K raised a complaint about this with HSBC who said they had made no errors when reducing the overdraft limit. HSBC explained a review had been carried out taking into account several factors, noting Mr K had not used the full overdraft facility in the last 12 months and that this may have been taken into consideration as part of reviewing the limit.

Our Investigator concluded Mr K's complaint should not be upheld as the reduction in the overdraft limit was a matter for HSBC to decide, so not something our service could interfere with. The Investigator noted Mr K had been given notice that the overdraft limit would reduce and that HSBC had explained they considered several factors, including that Mr K had not used the full available overdraft in the last 12 months. The Investigator also explained HSBC's lending criteria is commercially sensitive; the terms and conditions of the account allowed for HSBC to be able to remove the overdraft, so long as notice is given; and noted that Mr K could apply to increase the overdraft limit again subject to checks.

Mr K disagreed with the Investigator as he did not think it was fair the bank could suddenly remove his overdraft limit as he had used it. Mr K questioned whether his change in job had anything to do with this overdraft limit (and his other overdraft limit being reduced). Mr K also mentioned a credit card for £18,000 with HSBC which he did not use, but that HSBC had not reduced the credit limit for that.

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.

For the avoidance of doubt, my considerations in this decision are limited to Mr K's account ending -3, so while I am aware Mr K has mentioned his credit card and an arranged overdraft on another account, any decisions HSBC have made in relation to those products are not something I can consider here.

I've only included a summary of what's happened above, and while I may not respond to every point each party has raised, I have reviewed all the submissions available and focused on what I consider relevant to reaching a fair and reasonable resolution in this matter.

To reach a fair and reasonable decision I have taken into account any relevant law and regulations, regulator's rules, guidance and standards, codes of practice and (where appropriate) what is considered to have been good industry practice at the relevant time.

It may also help to know that it is not my role to fine or punish a firm, or to interfere with a firm's systems, processes or controls – these are all considerations for the appropriate regulator.

I recognise Mr K's frustration with the significant reduction to his arranged overdraft given this provided him with a comfortable financial safety net should he need it, and that he had never needed to use the full overdraft available to him. However, I have to consider if HSBC have done something wrong here or acted unfairly, and in the circumstances, for reasons broadly similar to our Investigator, I'm not persuaded that they have.

When Mr K's arranged overdraft was agreed in August 2020 he was sent a letter confirming the overdraft limit of £5,000. The letter included information that the overdraft would be regularly reviewed and that the overdraft limit could change for various reasons. The letter explained 30 days' notice would be given if the overdraft limit was to be changed.

HSBC's account literature explains that overdrafts are meant to be for short-term borrowing and that all overdrafts are repayable 'on demand' – meaning that customers can be asked to pay back money straight away. The financial regulator, the Financial Conduct Authority (FCA) also requires firms to monitor overdrafts and requires lenders, amongst other things, to lend responsibly.

Taking this into account, it was not unreasonable for HSBC to undertake a review of Mr K's arranged overdraft as this is something they ought to be doing for all their customers, and they were entitled to change the overdraft limit by giving notice of their intention to do so – which they did. I'm therefore unable to say they've acted unfairly here.

The decision to provide credit is one that rests with the lender, so it is not for me to interfere with HSBC's decision to provide an arranged overdraft or not, or to say what a customer's overdraft limit should be. I can only consider if HSBC have treated Mr K fairly in the circumstances.

In the circumstances I think HSBC have treated Mr K fairly. I say this because Mr K was given the required notice of HSBC's intention to reduce the arranged overdraft limit, they explained to Mr K that several variables are considered as part of their decision making process, including that Mr K had not relied on the full £5,000 overdraft for a significant period of time, and HSBC have said Mr K is free to apply for a higher overdraft limit again, subject to checks.

I realise Mr K is seeking more detailed and granular reasoning for why the arranged overdraft limit was reduced, but a lender's decision to provide credit is based on their underwriting criteria and appetite for risk at a particular time, which being commercially sensitive is not something we would reasonably expect a lender to share. That said, Mr K has been provided with a high-level reason in that he has not used the full arranged overdraft facility in some time, and in the circumstances I think the amount of detail HSBC have shared with Mr K about the reduction in his arranged overdraft limit is reasonable.

I've also not seen anything to persuade me Mr K has been financially impacted as such - the overdraft limit was reduced to a sum higher than the amount Mr K last used the overdraft facility, and I note Mr K has told us he has never had to use the full amount of the arranged overdraft limit while he has had it. HSBC have also said Mr K can in the future apply to increase the arranged overdraft limit if he wishes. Any application would be subject to

checks, but this would not be unreasonable given HSBC's obligations to lend responsibly to their customers.

I recognise this will come as a disappointment to Mr K and note his strength of feeling about what has happened; however, I have not seen enough to persuade me that HSBC have done anything wrong or acted unfairly in the circumstances of this matter.

My final decision

For the reasons above, my final decision is that I do not uphold Mr K's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 28 October 2025.

Kristina Mathews
Ombudsman