

The complaint

A company, which I'll refer to as T, complains that HSBC UK Bank Plc acted unfairly when the company sought support and loan restructuring following a period of difficult financial circumstances

What happened

T has banked with HSBC for a number of years. At the time of the events in this complaint, it had various borrowing from HSBC through an overdraft, a fixed-rate business loan, a Coronavirus Business Interruption Loan (CBIL) and a Recovery Loan Scheme loan. T also had borrowing from other lenders.

In 2022 and 2023, T faced financial pressures. On occasions, T exceeded overdraft limits, automated payments failed, and loan payments were missed.

T entered into discussions with HSBC to obtain forbearance and support. In particular, T sought repayment holidays and the restructuring of part of the overdraft into a loan, with a view to T then obtaining alternative finance elsewhere through a separate British Business Bank scheme. T obtained a capital repayment holiday from HSBC on the Recovery Loan for six months in October 2023. Around this time T missed a repayment towards its fixed-rate business loan and HSBC 'set off' the payment from its business account.

In 2023, at HSBC's request, T's accountants were appointed to compile a report on T's financial situation.

In 2024, T complained to the bank. The company made the following complaint points, in summary:

- HSBC had delayed, confused, and rejected T's requests for forbearance and debt restructuring. The bank considered the restructure request for a significant amount of time, and tinkered with the overdraft on several occasions, but ultimately rejected this proposal with little explanation.
- This was despite capital injections that T obtained. If HSBC had considered and granted T's request, the funds injected could have been used to grow and secure the business. Instead, T had to use the funds to service its debt.
- The accountants' review suggested a temporary overdraft of £180,000 but the bank rejected it with no explanation.
- T was close to agreeing a loan through a British Business Bank scheme on condition that HSBC restructure the overdraft. HSBC ignored this request.
- HSBC denies having said that it may be possible to convert part of T's 'hardcore' overdraft debt to a term loan, now saying that debt restructuring was impossible.
- T requested forbearance on its Recovery Loan and CBIL via capital deferment

periods. The bank wrongly told T that such requests, if successful, would trigger significant interest rate rises.

- T requested a 12-month capital repayment holiday on its Recovery Loan. The bank provided only six months and then sent a default notice shortly after the conclusion of this period.

In respect of T's main complaint points, HSBC responded that it couldn't support any further lending to T and believed the bank hadn't done anything wrong. But it acknowledged that it probably did incorrectly tell T that interest rates on the Recovery Loan would increase following a repayment holiday.

T was unhappy with the bank's response and referred its complaint to our service. Since then, HSBC has defaulted T's CBIL and Recovery Loan as well as restricted access to T's account and moved its management into the bank's recoveries department.

After the complaint was referred to this service, HSBC also made an offer of £150 for any inconvenience caused by the misinformation about the potential interest rate rise after capital repayment periods.

Having looked at the evidence, our investigator concluded that HSBC had shown T forbearance on its various borrowing commitments, and he wasn't persuaded that the bank had acted unreasonably by declining to extend forbearance further. He thought HSBC was entitled to consider the lending to be in default. He therefore didn't recommend that HSBC should be required to take any further action, except payment of its offer. He gave the following reasons, in summary:

- The lending provided to T wasn't subject to statutory regulation. In considering whether T was treated fairly, our service would take account of what we think represents good industry practice, including the Lending Standards Board's 'Standards of Lending Practice for business customers.'
- The investigator said that forbearance shouldn't just be for the sake of extra time – rather, it should offer a reasonable prospect of a viable solution. That also needs to be weighed against the bank's contractual right to receive all payments in full and on time. In addition, the relevant scheme rules for CBILS and the Recovery Loan Scheme don't provide automatic right to forbearance, and instead grant the lender discretion.
- T's liabilities to HSBC were not insignificant, and the company had other borrowing elsewhere. A substantial portion of the creditor debt recorded in the accounts belonged to shareholders, but even discounting this, the obligations on T were significant. The last available accounts prior to T's complaint showed creditors owed just under £1m which fell due within one year. These accounts also stated, "the company produced a loss of £346,854 in the year".
- In the light of this, T's requests for further forbearance would always have been challenging for the bank – particularly as they involved additional lending or the restructuring of lending with a view to T receiving new lending elsewhere.
- HSBC told us that any new lending would be subject to an application process, which would include credit and affordability checks. Given the arrears on T's existing lending to the bank and T's previous account conduct (which included excesses over agreed overdraft limits and missed payment items due to lack of funds), HSBC said

any application was unlikely to succeed. The bank said restructuring the debt wouldn't have alleviated the concerns it held. The investigator didn't think that was an unreasonable view, given all the circumstances.

- The accountant's review was never completed because T asked it to stop work. The investigator hadn't seen the preliminary report, but in any event, he didn't think HSBC was bound by anything it recommended. Given the bank's concerns on affordability, he couldn't reasonably fault HSBC for not increasing the debt load on T.
- As regards T's complaint that HSBC misled the company about converting around £50,000 of its hardcore overdraft into a term loan, there's no supporting evidence about what was said or denied. Even T acknowledges that the limit of what the bank had said was that it "may" be possible to convert some of its overdraft and then denied it later. The investigator wasn't persuaded that the issue was significant enough to warrant further investigation.
- There was no documentary record of the bank promising a 12-month repayment holiday on the Recovery Loan. HSBC says that it agreed a six-month holiday, with the option of a further six months provided affordability could be demonstrated. As the loan variation terms clearly stipulated that the repayment break would last six months, and this was signed by T in October 2023, the investigator didn't think the bank had made an error here.
- HSBC accepted it had been wrong to suggest that a payment holiday or deferral could trigger an interest rate rise. However, the investigator wasn't persuaded that it significantly altered the bank's or T's actions, and he therefore thought the bank's offer of £150 compensation for inconvenience was fair.

T didn't agree with the investigator's findings. On behalf of the company, T's director made the following points, in summary:

- The assessments and actions of other lenders and experienced bankers throw a better light on industry norms and common good practice. This includes the proposed government-backed refinancing in January 2024, and subsequent similarly-sized secured financing in March 2025 from another commercial lender. Every other creditor has constructively agreed to payment holidays or installment plans. T eventually prospered through to summer 2025. The company is now trading and servicing its negotiated loans, despite the difficulties caused by HSBC's actions. To side with HSBC in dismissing T's viability is – de facto – wrong.
- HSBC and the investigator have overstated the requested increase in T's debt burden. It's wrong to describe the request for conversion of some of the overdraft into a term loan as a request for further credit.
- Ordinary simple tools in debt restructuring – such as converting shareholder debt to equity or renegotiating short-term debt to a longer term – have been downplayed or ignored.
- HSBC displayed slowness and indifference, rather than astute risk assessment – as shown by the contrasting actions of other lenders.
- HSBC was responsible for procedural errors, especially in the default process.

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've read all of T's submissions and considered them carefully. I mean no disrespect in summarising the arguments and focusing here on the key points of the complaint.

I'm sorry to disappoint T's director, but I've reached the same conclusions as the investigator and for largely the same reasons. I have little to add to the reasoning given above.

I'm satisfied that HSBC showed forbearance, as demonstrated by the repayment holiday, in recognition of T's difficulties. In the circumstances, I don't think the bank acted unfairly or unreasonably when, after discussions, it declined to offer further or restructured lending, or further forbearance.

T's director points out that other lenders came to a different assessment of the lending risks and offered further facilities to T. She says that the company's receipt of the other lending, and its servicing of current negotiated commitments, shows that HSBC's actions can't be seen as fair or reasonable.

A bank is entitled to make a lending decision based on its own risk assessment and its own risk appetite. In my consideration of this complaint, therefore, I'm not looking to see whether HSBC followed the same approach to lending risk as other lenders. I don't agree that the other lenders' assessments show that HSBC's more cautious assessment wasn't fair or reasonable.

For these reasons, I haven't attempted to evaluate HSBC's or the other providers' lending assessments. However, I'm satisfied that HSBC was genuinely concerned about the risks – both to itself and to T – and I don't believe the bank was wrong to take into account its concerns over factors such as the recent financial performance of T and its account conduct. Had the complaint been that the bank had offered credit that T couldn't afford to service, then it's likely that I would have considered whether the bank's assessment, in this respect, had been fair – but that isn't what T has complained about.

T's director says that more attention should have been paid to other restructuring tools such as converting shareholder debt to equity. But again, my determination of this complaint isn't based on any attempt to second-guess HSBC's loan assessment, so this point about the detail of restructuring tools doesn't change my opinion.

I understand T's point that restructuring debt isn't the same as increasing it. But part of the background to these events was T's pursuit of further borrowing in total, and I don't think it was unfair for HSBC to take that into account. An equally important consideration is that any agreement to restructure T's debt with HSBC would have required a successful formal credit assessment by the bank – including being satisfied that the repayments were sustainable by the customer without financial difficulty. HSBC took the view that such approval wouldn't have been obtained, given the circumstances of T's business. I don't think the bank acted unreasonably here.

T's director argues that HSBC should have acted with more clarity and speed in its consideration of T's restructuring request. But I can't see that HSBC, had it acted more swiftly, would have come to a different assessment of the lending risks. In other words, I think it still wouldn't have agreed to T's request. I need also to take into account the forbearance shown by the bank and the fact that T did succeed in attracting lending from elsewhere. Whether or not HSBC acted with, as T alleges, "slowness and indifference", I

don't believe the bank's conduct of the discussions led to a significantly worse outcome for T than would otherwise have been the case.

I've read T's comments about HSBC's default and recovery processes. But these events occurred after the complaint was referred to this service, so I haven't considered them in my decision on T's complaint.

I expect that T will regard HSBC's offer of £150 compensation as being of little significance in comparison with the main elements of the complaint. But the bank has made the offer and I agree that it would be fair compensation for the inconvenience caused by the incorrect information about interest rates. I therefore conclude that the bank should pay this sum to T.

My final decision

My final decision is that I require HSBC UK Bank Plc to pay £150 to T for inconvenience caused by incorrect information about interest rates. I don't find that the bank acted unfairly or unreasonably in respect of T's other complaint points.

Under the rules of the Financial Ombudsman Service, I'm required to ask T to accept or reject my decision before 23 October 2025.

Colin Brown
Ombudsman