

The complaint

Miss B complains on behalf of the limited company U, which is in liquidation. U's liquidator has given his consent for Miss B to represent U.

Briefly, Miss B complains that HSBC UK Bank Plc chose to lend U unrealistic sums of money which ultimately led to U's insolvency.

What happened

One of our investigators looked at this complaint, and noted:

- Miss B met HSBC in March 2020 to discuss extending U's overdraft limit. That meeting resulted in an overdraft facility of £20,000 over 12 months, supported by a personal guarantee for £25,000.
- In January 2021 HSBC wrote to U to say that it had decided to extend the company's overdraft for another 12 months.
- In March 2021 HSBC wrote to U to say that repayment on the Bounce Back Loan (BBL) that U had taken out in 2020 would start soon. (I can see that the BBL was initially for £30,000.)
- In January 2022 Miss B met with HSBC to request an increase in U's overdraft from £20,000 to £25,000. HSBC approved that increase.
- In April 2022 Miss B asked HSBC if it would lend additional money to consolidate existing debt and to help with cashflow. HSBC agreed to a £70,000 loan (a Recovery Loan Scheme Loan Agreement, or RLS), supported by a floating charge over U's assets. Our investigator thought that Miss B and HSBC both intended the RLS to be used to repay the BBL as well as some other debts U had.
- Around a week after the £70,000 loan was drawn down, Miss B emailed HSBC to ask how the consolidation of the BBL would work. HSBC apologised, and said that the relevant team hadn't been told to use the RLS to repay the BBL. Miss B asked for a settlement figure so she could repay the BBL herself, and was given an amount of just under £24,000. However, the BBL was not repaid.
- In May 2023 Miss B asked HSBC to request an increase in U's overdraft from £25,000 to £45,000 for six months, because U was struggling with cashflow due to late payment of contracts. HSBC approved the increase.
- In October 2023 HSBC reviewed the overdraft facility. Miss B said she would need longer to repay it, because U was still facing challenges. HSBC approved the overdraft of £45,000 for a further six months, but agreed with Miss B that U would reduce the balance by £500 every month for the next 10 months, then £1,000 a month for the next 20 months after that.

- In February 2024 Miss B contacted HSBC to request an immediate halt to all overdraft repayments for the next 12 months. HSBC did not agree to her request, but it did suggest rolling the company's overdraft and RLS loan into one loan of £95,000 to help U consolidate debts, and putting the BBL on a repayment holiday.
- In March 2024 HSBC declined the loan. Miss B has since explained that she didn't want the loan, and did not want to take on any further debt.
- In April 2024 Miss B made the difficult decision to put U into voluntary liquidation. HSBC made formal demand on U for the debts that U owed to the bank, and also told Miss B that it intended to pursue her under the personal guarantee that she had given.
- Miss B complained to HSBC about the service U had received, and about the lending decisions the bank had made – which Miss B said had ultimately forced her to liquidate her company. HSBC did not uphold the complaint, and so Miss B referred the matter to the Financial Ombudsman Service.

Our investigator upheld U's complaint in part. She said she thought HSBC had lent irresponsibly in May 2023, when it increased U's overdraft facility from £25,000 to £45,000, but she didn't have any concerns about the remainder of the lending.

Neither party accepted our investigator's opinion.

HSBC said that U's director had told it that U had over £40,000 in contracts due over the next six months, and that was the expected source of repayment for the increased overdraft. It also said that the lending request was reviewed by a business specialist and referred to a business underwriter, and its internal procedures were followed when assessing this request.

Miss B said that she thought HSBC had failed to adhere to multiple principles and rules in the Financial Conduct Authority's Handbook, and in particular that the bank had failed to carry out a reasonable assessment of creditworthiness before lending.

My provisional decision

I issued a provisional decision on this complaint, and said:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so, whilst I am very sorry to further disappoint Miss B my provisional conclusion is that overall, HSBC treated U fairly. I do not intend to order HSBC to pay any compensation. I explain my findings in more detail below.

I want to stress that in this decision I am only looking at a complaint from the limited company U, which means that I can only consider the arguments that Ms B has made on U's behalf. I can't consider her requests for compensation on her own behalf, such as her request for a refund of the money that she paid to the liquidator to continue to use U's name.

Our investigator and Ms B have both put some weight on the provisions of CONC, the Consumer Credit Sourcebook section of the FCA's Handbook,

and they have both referred to the creditworthiness assessment set out in CONC 5.2A.

I am sorry for the confusion on this point, but CONC 5.2A is not relevant to U's complaint. CONC 5.2A applies to "consumer credit lending", which covers certain types of regulated loans to individuals, small partnerships, and certain unincorporated bodies. The lending HSBC carried out here, to an incorporated limited company, is not "consumer credit lending". That means that CONC 5.2A, and indeed the Consumer Credit Sourcebook more generally, do not apply.

I am however required to take into account relevant codes of practice, and what I consider to have been good industry practice at the relevant time. That means I have taken into account the Lending Standards Board's Standards of Lending Practice for business customers, which I consider represent good industry practice.

The Standards of Lending Practice are not the same as the provisions of CONC, but they do cover affordability. The version of the Standards in force at the relevant time said "business customers will only be provided with a product that is deemed affordable and which meets the requirements of the business".

In this case, HSBC's position is that the products it offered to U were deemed affordable, and that they did meet U's requirements at the time. Miss B's position is that the products HSBC offered were not affordable; she says the amounts lent were unrealistic and the products were poorly explained.

The fact that U later entered liquidation does not in itself mean that either Miss B or HSBC ought to have known at the time of the bank's lending decisions that U would not be able to repay the money it had borrowed. I think there were obvious indications from 2020 onwards that U was experiencing difficulties, but Miss B clearly hoped that some of the difficulties would be temporary (such as those associated with the pandemic and with industrial action). Even as late as February 2024, many of Miss B's emails to HSBC struck an optimistic tone, and expressed her hope that U would be able to trade out of its difficulties with the bank's help.

I know that our investigator was particularly concerned about the overdraft increase to £45,000, given that U had not used the RLS to repay its BBL. But I don't share our investigator's concern on that point. Although it's clear that Miss B and HSBC had discussed using the RLS to fully repay the BBL (or at least to reduce the balance of the BBL), I can't see that HSBC had made doing so a condition of the RLS. It was Miss B's choice, as director of U, to use the RLS for other purposes. I don't think Miss B's choice suggests that it was wrong for HSBC to lend further money to U.

Given the financial information that both Miss B and HSBC have provided to me, I don't think that any of HSBC's lending decisions were unreasonable at the time they were made. In my view, the information available to HSBC suggested that Miss B had realistic plans for how U would repay the borrowing, for example the funds U expected to receive in future from contracts that had already been booked in.

I'm aware that Miss B has had a very difficult time over the last few years, particularly around the time of her mother's death in 2022. Miss B has also explained that her ADHD (which as at June 2022 had not yet been diagnosed) meant that she became overwhelmed by long emails. I was sorry to hear about Miss B's health problems, and I thank her for her openness with us.

I've thought carefully about whether HSBC should have done more to support U given Miss B's health. But based on the evidence I've seen, I don't think the bank knew that Miss B might need additional support (and I note that the bank says it did not know). Miss B does not appear to have told the bank about her ADHD until March 2024, when Miss B says she disclosed her diagnosis during a Zoom meeting. Miss B has also explained that she has previously been very private about her health, and didn't tell anybody except her doctor what she was going through. In the circumstances, I don't think it would be fair for me to criticise HSBC for communicating with U in the way that it did.

Miss B has suggested that the terms of U's various borrowing from HSBC were unclear – and that as a sole director, she didn't have the time or the money to properly consider the legal implications of the borrowing. I don't see anything unclear or misleading in the documents that HSBC has provided, but if Miss B gives more details about why she is concerned I will consider the matter further.

I have also considered whether HSBC should have offered additional forbearance to U, given its financial difficulties. Miss B wanted HSBC to hold all overdraft repayments until U's industry had recovered from the industrial action that had affected it. HSBC was not prepared to do that. The alternative it offered – of debt consolidation – was not attractive to Miss B.

I know this will be difficult for Miss B to hear, but I don't think HSBC had any obligation to do more for U than it did. I would expect a bank like HSBC to treat customers in financial difficulty in an appropriate and fair way, and overall I think that HSBC did treat U fairly in this case. HSBC could certainly have provided better customer service, for example by responding more quickly to Miss B's requests, but I can't see that quicker responses would have made any difference to the ultimate outcome of U being placed into liquidation."

Miss B did not accept my provisional decision. Briefly, she said:

- Analysis of both U's bank account and her own would have shown that additional funds were constantly needed to keep U operating.
- HSBC would have been aware that the amounts expected into U's bank account would not even have covered running costs. Gross income should not have been used for any calculations.
- Both U as a company and her as an individual were clearly under financial stress. Whilst she did not formally declare her personal problems, her financial distress was obvious.

- HSBC would have been aware of her personal stress and vulnerability if it had held personal meetings.
- She has serious concerns about the rules and guidance in force at the time, as well as about the remit of the Financial Ombudsman Service.

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 would like to confirm that I have read Miss B's response to my provisional decision in full, but I will not comment on everything she said. In particular, I don't think it would be appropriate for me to comment on her concerns about how HSBC treated her as an individual; one of my colleagues has already issued a final decision on the complaint she made as a guarantor. In addition, my decision solely concerns U's complaint about HSBC, and so I will not comment on her concerns about the wider regulatory landscape.

For the reasons I gave in my provisional decision, I'm not persuaded that HSBC acted inappropriately or unfairly when it lent to U. Whilst I think it was clear that U was experiencing some difficulties, it is also clear that Miss B hoped those difficulties would be temporary. Whenever a bank lends money there is always a risk that the borrower won't be able to pay that money back, but I don't think there was anything here that ought to have suggested to HSBC that U was unlikely to be able to afford to repay the money it had borrowed.

Having carefully considered everything that both parties have said, whilst I remain sorry to disappoint Miss B I have come to the same conclusions as I did in my provisional decision. I therefore confirm those provisional conclusions as final.

My final decision

My final decision is that I do not uphold this complaint against HSBC UK Bank Plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask U to accept or reject my decision before 29 August 2025.

Laura Colman
Ombudsman