

The complaint

A partnership, which I'll refer to as J, complains that Handelsbanken plc caused delays when it requested an increased overdraft limit and the renewal of other borrowing. As a result, J has incurred unnecessary costs and also suffered consequential losses, which it considers Handelsbanken should refund. J also complained that it had understood that its fixed rate loan would remain at a fixed rate on renewal.

What happened

The events complained of here are well known between the parties, so I won't recount them in detail. But I will briefly list some key points.

- In June 2022, J asked for an increase in its overdraft to cover additional working capital needs.
- In July 2022, J's two fixed rate loans came up for renewal. Both were renewed for 18 months on a variable rate basis.
- In March 2023, one of the partners in J, who I'll refer to as Mr M, complained to the bank about their slow handling of J's request. He said J had already incurred accountancy costs of £6,300 to meet Handelsbanken's requests and that the partnership's requirement for additional working capital was now urgent.
- The bank accepted their communication could have been better. J's relationship manager wrote to J explaining that there were still unexplained gaps in its projections and it looked like J might need a higher overdraft than requested.
- By May 2023, Handelsbanken were still considering the request. J informed Handelsbanken that it had borrowed £60,000 via an asset finance arrangement to meet its cash requirements.
- In July 2023, Handelsbanken told J that its overdraft increase request had been declined.
- In November 2023, J moved its borrowing to new lenders.

J made a further complaint and Handelsbanken upheld two elements of it. They accepted that there had been delays and poor communication regarding the overdraft request and offered £1000 compensation. And they upheld a complaint regarding the loan extension not being at fixed rate and offered an interest refund of £5,802. This was based on a calculation of what J would have paid had it taken out two 18 month fixed rate loans in July 2022, rather than variable rate loans.

I issued a provisional decision partially upholding J's complaint on 10 September 2025, in which I said:

The central issue in dispute here is, in my view, the time taken by Handelsbanken to

give J a decision on its overdraft increase request. Handelsbanken were perfectly entitled to turn down J's request. But it is my view that, if they were going to, they should have communicated that decision within a reasonable timescale and not continued to request more financial information, thereby causing J to incur more accountancy fees.

I haven't been given any information showing the bank's internal discussions with its credit function about the request. But I can see that the relationship managers were encouraging about it to Mr M and, in my view, gave the impression that it would be approved. For example, in November 2022, they were "aiming" to give J an answer on its request for a £200,000 overdraft request "by Monday". In March 2023, Handelsbanken confirmed that they were "looking to support you". In May 2023, the bank were still making positive noises about the credit application being progressed. And in June, they promised an answer by the end of the month.

In my view, the impact of all this was to make J's partners believe that it was only a matter of time (and of providing more information) before the overdraft was approved. It therefore reasonably seemed to J that it was worth paying its accountant to provide this information. In fact, the bank seems to have had growing concerns about the business and ultimately declined the request a year later. My provisional conclusion is that the bank's communication, whilst it may have been well-intentioned, was misleading. I think J would have moved its banking sooner if Handelsbanken had made it clear that it was unlikely to approve the request.

It is also not in dispute that Handelsbanken were entitled to ask for financial information, in order to consider J's request – and that the costs of this information should be borne by J. However, I consider it was the bank's responsibility to be clear about what was needed. In saying this, I have taken into account the Standards of Lending Practice published at that time by the Lending Standards Board and to which Handelsbanken was a signatory. I think these standards are relevant, as I consider them representative of best practice in the area of business lending. I am required to take best practice into account in reaching my decisions. One of these standards said:

"Firms should ensure that customers are provided with clear guidance on the information and documentation they will need to submit during the application process"

I think this need for clear guidance includes accounting information. I haven't seen any evidence that the bank made its requirements clear. Indeed, the evidence I have seen leads me to the conclusion that it's more likely than not that it was unclear. I say this because it wouldn't have been necessary to go back repeatedly for more information, or to have conversations with J's accountant, if they'd asked for everything in the first place and been explicit about matters such as starting dates for cashflow forecasts, so there were no unexplained gaps. Neither do I consider it reasonable to go back for refreshed information purely because the bank has taken so long to decide.

The bank have suggested that the accounting information supplied was not of good quality, but I haven't seen anything to say that it wasn't what they asked for. I am therefore sympathetic to J's argument that Handelsbanken caused it to incur excessive accounting costs.

Having considered the timeline and all available correspondence carefully, my provisional intention is to uphold what I consider to be the central part of this

complaint, which relates to the time taken by Handelsbanken to decide on J's overdraft request. In the next section of this decision, I will set out my provisional intentions regarding compensation.

Our investigator didn't mention that, in addition to the £1,000 compensation, Handelsbanken have also refunded £5,802 of interest. It is my understanding that this compensation was accepted and that the fixed rate loan issue is no longer in dispute between the parties. If I'm wrong about this, I invite either party to let me know in response to this provisional decision.

Mr M has made a number of further points regarding actions by Handelsbanken with which he is unhappy, for example, the bank's decision to require a ranking agreement in relation to a new lease arrangement. I confirm I have read and considered everything Mr M has sent us carefully, but these additional points don't change my view on a fair outcome for this complaint.

Fair compensation

Mr M has set out clearly J's compensation claim and I thank him for this information. My starting point in deciding what's fair, is to try and put J in as close as I can to the position it would have been in had the bank not made an error. I have considered the direct costs first.

The largest direct cost listed is fees paid by J to its accountants for the preparation of information requested by the bank. I have considered the invoices provided carefully. I think the first two invoices, totalling £2,850 plus VAT, are reasonable because most banks would request cashflow forecasts from a business before considering an increased overdraft request. However, I think by the third request, which was some nine months after Mr M first asked for the increase, Handelsbanken should have reached a decision that they didn't want to lend to J and communicated that decision. If the bank had done this, J would not have incurred these costs totalling £5,400. My provisional intention is to direct Handelsbanken to reimburse J for this amount.

There is a fourth accounting invoice relating to ongoing support for re-banking, but as I've explained, I think J would have re-banked even if Handelsbanken hadn't made an error, so I think these costs would always have been incurred.

Most of the other direct costs relate to the costs incurred to switch J's banking arrangements. I am not going to direct Handelsbanken to pay/refund these amounts because I have concluded that, if the bank had not made an error, these fees would have been incurred anyway. This is because I think that, if the bank had communicated more clearly, J would have been informed earlier that its overdraft increase would not be granted and would therefore have moved bankers sooner. All the costs listed are fees that Handelsbanken are entitled to charge so I think they would always have been paid.

I note that Mr M has taken legal advice on J's complaint and has included the costs relating to this advice. I don't consider it would be fair to require Handelsbanken to pay these, because seeking legal advice was a decision Mr M chose to make. It was not essential in order to make J's complaint or to refer it to our service.

Next I have looked at J's consequential loss claim. The first two items listed are for the loss of earnings of Mr M's wife's business, because she had to help out with J instead. I don't doubt that there was an impact on her business, but I'm afraid our investigator was correct that I cannot consider these losses. This is J's complaint and

I can only consider J's losses.

As I have concluded that J would have moved its banking anyway, I consider the insurance fee for new standard security would have been incurred too, so I don't intend to direct Handelsbanken to cover that.

This leaves three items, an estimated £1,500 of additional costs of taking out the asset finance, loss of earnings for J of £1,200 and £8,000 estimated loss of income from reduced sales. I haven't been provided with any calculations underlying these costs. I do have some sympathy with the argument that the asset finance may have been more expensive than a bank overdraft. If Mr M can provide evidence of the interest rate of J's asset finance compared with his new overdraft at his new bankers and how he carried out the calculation, I am minded to direct Handelsbanken to refund this, as I think a more timely decision on their part could have avoided the need for asset finance.

In the case of the two loss of earnings/income items, I think it's unlikely that J can present enough evidence for me to conclude that it would be fair for Handelsbanken to pay these. I would need to see evidence as to how they were calculated. I would also need to be satisfied that these losses were directly caused by the bank's actions and that it was foreseeable that the bank's action would result in them. If Mr M wishes to provide further submissions on these points, I will consider them before issuing my final decision.

Finally, I note Mr M's comments regarding his health and I'm sorry to hear that he has not been well. Although I'm sure he has been through a stressful time, I don't think I can fairly hold Handelsbanken responsible for his health issues. And as I've explained, I think he would have had the stress of changing banks in any case. Taking everything into account, I think the £1,000 already offered by the bank is fair to cover the impact caused by their errors.

In summary, in addition to the compensation Handelsbanken has already paid, I currently intend to direct the bank to pay a further £5,400 for accountancy costs. I am also minded to award some compensation for the additional costs of the asset finance J took out while it was waiting for a decision from the bank, if J can provide evidence of the amount involved.

Both parties responded in some detail to my provisional decision and asked me to consider some additional points. Handelsbanken said, in summary:

- They had already accepted that it took too long to advise of their lending decision and offered compensation of £1000 in recognition of this.
- It was up to the bank to decide how much and what information they required to make a lending decision. Handelsbanken are a very risk adverse bank with their own credit process and modelling.
- The financial information provided was of poor quality, with gaps, and indicated a peak overdraft requirement in excess of J's request.
- J's request was also evolving over the period. It started as a request for a cashflow facility and evolved into a full restructuring including two loans.

J said:

- The partners were still seeking recompense for legal fees and outlays totaling £5,923 to switch banking service provider. This was because J had done everything in their power to satisfy the requirements of Handelsbanken
- If Handelsbanken had turned down their overdraft request more promptly, J would have obtained asset finance sooner and stuck with Handelsbanken. It was the bank's failure to communicate that effectively forced it to move.
- J was placed in an untenable position where it was unable to plan its finances. The decision to move was done with great reluctance because the partners knew it would be costly in time and money.
- J was unable to evidence that asset finance was more costly than the overdraft extension so accepted that this could not be reimbursed.
- With regard to loss of income, J could demonstrate that the constrained financial position Handelsbanken had placed it in prevented it from purchasing stock in late 2022/early 2023, which is something J did every other year. J had lost £6,030 (accountants' calculation provided) as a direct result of its inability to make that purchase on that occasion.

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.

Having done so, I haven't been persuaded to change my provisional view. I still intend to direct Handelsbanken to pay a further £5,400 for accountancy costs, but nothing further. I will explain why below.

Handelsbanken haven't, in my view, provided me with any new evidence. They have just restated their argument that they were entitled to ask for whatever financial information they deemed necessary and it was the poor quality and gaps in this information which was the problem. However, my point was not that they were not entitled to ask for detailed information, but rather that they should have been clear at the outset exactly what they needed, and from what date this information should start. I haven't seen any evidence that this was made clear. And I think it more likely than not, that if Handelsbanken had explained clearly what they needed at the outset, that J's accountants would have complied with their request.

I note Handelsbanken's argument that J's request evolved over time, but I think this was to some extent inevitable given the length of time everything took. After all, J's term loans were only renewed for eighteen months so as time went on, it was self-evident that they would need to be considered too.

I don't doubt that J was reluctant to move bankers and the partners did their best to avoid doing so, knowing the likely costs and time involved, particularly given the need to refinance secured loans. I appreciate that J's partners feel that the bank forced them into moving, but I still think it was their choice and I don't think it would be fair to expect Handelsbanken to pay the costs. Even if the bank had declined to renew any of their lending and given J notice to close its accounts, Handelsbanken would not be contractually required to pay for the costs of moving.

J has provided me with a sum setting out the profits available had J been able to purchase stock as it usually does in winter. This calculation is apparently based on figures from a consultant's handbook for 2022 for J's industry. I am afraid I am not convinced that this is evidence that J would have made this amount of profit itself. In any case, I have based my conclusions on what I think ought reasonably to have happened, if Handelsbanken had given their answer earlier. In this scenario, I still don't believe J would have had the funds in time to make the necessary stock purchase.

I note that J's partners don't agree with me about the most likely counterfactual. They think they would have taken out the asset finance earlier to give them more cash to spend if they'd received an earlier answer from Handelsbanken. I am not persuaded by this, as I think an earlier answer would have led them to feel that they had been "constructively dismissed" (in their words) earlier and hence to seek alternative bankers. Given the required timing of acquiring the stock, as I understand it, I am not persuaded the purchase would ever have been achieved.

In summary, my conclusion remains that Handelsbanken were not sufficiently clear or timely in their communication to J about its borrowing request and that J incurred additional costs as a result. The bank should therefore pay additional compensation as I set out next.

Putting things right

In addition to the compensation already paid, Handelsbanken must pay J a further £5,400 to compensate for amounts spent by J on accountancy costs to provide the bank with information.

If Handelsbanken have not already paid J the £1,000 offered for the inconvenience caused by their poor communication, they should pay this also.

My final decision

I uphold this complaint in part and direct Handelsbanken plc to pay additional compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask J to accept or reject my decision before 27 October 2025.

Louise Bardell
Ombudsman