

The complaint

Mrs S complains that HSBC UK Bank Plc unfairly failed to release her from a personal guarantee she gave for a limited company.

What happened

Mrs S was a co-director and co-owner of a limited company, which I'll call J. She ran the company with her partner (in both the personal and professional sense of the word).

In 2023 J obtained a £20,000 overdraft through HSBC. In support of this lending, both of J's directors each personally guaranteed J's debts, up to a limit of £22,500.

In August 2024 Mrs S left J. Without going into unnecessary detail, the personal relationship between the two directors had ended. Mrs S resigned as director on 7 August 2024.

Around this time, Mrs S tried to remove herself from, or at least limit her exposure to, J's debt under her personal guarantee. To this end, she requested that HSBC freeze J's account, the overdraft limit be lowered, and made a written request to be released from the personal guarantee.

But HSBC said it couldn't release Mrs S from her personal guarantee while J still owed money to the bank. Mrs S complained but the bank didn't change its position. Mrs S would raise the complaint once more in December 2024, and this time HSBC responded to say it had no record of Mrs S requesting to be removed from the personal guarantee.

One of our investigators looked into Mrs S's complaint. In summary, he said that since the complaint had been referred to our service HSBC had accepted it didn't follow the correct process. The bank said it should have contacted the other guarantor to see if they would agree to updating the guarantee.

For this, HSBC wished to offer Mrs S £350 for the distress and inconvenience caused. Our investigator thought this was ultimately a fair offer because he'd seen evidence that HSBC had since tried to contact the other guarantor without success.

My provisional decision

I issued a provisional decision on this complaint in January 2026.

I provisionally concluded that HSBC should release Mrs S from the personal guarantee given for the debts of J. I also thought HSBC to pay Mrs S £500 for the distress and inconvenience caused.

I gave the following reasons:

“HSBC's position seems to be that it should have contacted J's remaining director (and the other guarantor) when Mrs S asked to be released from her personal guarantee. Had it done so, the bank would have explored the possibility of arranging a replacement guarantee for J. However, the bank's position is that even if it had

done that, it is unlikely to have made a difference to events as the other director/guarantor hasn't responded to the bank's requests.

In other words, HSBC says Mrs S's guarantee would likely always have remained in force. But I think this position disregards several key factors in this case.

The starting point in determining Mrs S's ability to exit the guarantee must take account of the terms of her guarantee. Of relevance here are the following conditions:

"If you want to cancel this guarantee you will need to tell us in writing... not less than three months before the date that you want the cancellation to take effect.

It is your responsibility to tell us and give us three months' notice if you are leaving the business of the Borrower, ceasing to be a director of the Borrower or your circumstances are changing in any other way that means you want to cancel this guarantee."

The guarantee terms also set out how much a borrower must pay, or the limits to how much they are liable for, after giving notice:

"...the amount you have to pay us under this guarantee will be fixed at:

a) all amounts owed to us by the Borrower on the last day of the notice period...

b) any additional amounts you are required to pay under the terms of this guarantee"

Mrs S gave her notice in writing in a handwritten letter dated 8 August 2024. She said "Further to my telephone call yesterday, I am writing ... requesting my name be removed as guarantor". I note HSBC has at times denied receipt of this letter. I believe the bank now accepts it received it. But, for the avoidance of doubt, I am satisfied that the bank did receive Mrs S's letter.

I've seen J's account statements. On 8 August 2024, J didn't owe HSBC any money.

Furthermore, HSBC had frozen J's accounts on 7 August 2024, apparently in response to the telephone call Mrs S mentioned in her letter. I make no criticism of HSBC here. Indeed, it's an entirely sensible thing to do given J was going through a significant change. HSBC also reduced J's overdraft limit to £2,500 on 9 August 2024.

Yet these two measures were short-lived. At the request of the remaining director, Mrs S's ex-partner, J's account was unfrozen and J received a new overdraft limit of £10,000. Again, I make no criticism on what HSBC decides to do with J's account. That is a matter between J and HSBC.

But I think it was unreasonable for HSBC to continue to rely on Mrs S's guarantee going forward. I say this considering Mrs S's request to be released from the guarantee, the fact that I'm not aware of any debt J still owed to HSBC as at the date of that request, and HSBC's knowledge of Mrs S's departure from J. Knowingly or otherwise, HSBC extended further lending to J with reliance on the existing guarantees in place. That is not fair on Mrs S.

HSBC might wish to argue that Mrs S's guarantee was a joint guarantee and therefore it can't release one guarantor over the other. I've thought about this, but it doesn't persuade me that it was reasonable for HSBC to continue to rely on the guarantee Mrs S gave and expose her to increases in J's lending when Mrs S had done all she reasonably could to try to limit such exposure.

HSBC might also make the point that the notice period I referred to is for three months. And that J's account was no longer in credit three months from Mrs S's letter of 8 August 2024. But the ultimate point I'm making here is that HSBC has unfairly exposed Mrs S to increases in J's debt when it didn't have to. So I don't think the notice period makes a material difference.

Nevertheless I appreciate HSBC also has responsibilities towards J. But part of HSBC's role is to manage conflicts of interest fairly. It ought to have been apparent to HSBC that there was a clear conflict of interest in providing J further lending while one of the guarantors had given notice of their intent to exit the guarantee. In my view, I don't think HSBC has paid fair attention to Mrs S's interests.

For these reasons, I intend to require HSBC to release Mrs S from the personal guarantee she gave for J.

Finally, I also recognise that this matter is likely to have caused Mrs S distress and inconvenience. In light of this, and in consideration of all the circumstances of this case and our service's usual approach, I think £500 would be fair."

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.

Mrs S accepted my provisional decision. HSBC responded to provide an update that it was in discussions with the director of J and that it might release Mrs S from the guarantee as a result. Otherwise, the bank didn't make further submissions or arguments for me to consider.

I've already explained why, independent of HSBC's update, I think it would be fair for HSBC to release Mrs S from the personal guarantee. As HSBC hasn't given me anything further to consider I have reached the same conclusions as I did in my provisional decision, for the same reasons. These are now my final conclusions on this case.

My final decision

My final decision is that I uphold this complaint. I order HSBC UK Bank Plc to release Mrs S from the personal guarantee given for the debts of J. HSBC UK Bank Plc should also pay Mrs S £500 for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 9 March 2026.

Laura Colman
Ombudsman