

The complaint

A company, which I will refer to as M, complains that HSBC UK Bank Plc unfairly refused to lend the amount it had requested.

What happened

I understand there is no longer a dispute about what happened here. The dispute is about what HSBC should do to put things right.

The background to this complaint is complex, but I set out below what I consider to be the key facts (all loan balances are approximate):

- In early 2023 M was an existing customer of HSBC. It had a mortgage of £600,000 with the bank, an overdraft of £200,000, a loan of £230,000 (referred to in correspondence as the 'Roof Loan'), and a Coronavirus Business Interruption Loan of £185,000 (the 'CBIL'). M also had an invoice discounting facility with a limit of £400,000 which M's directors felt was no longer meeting their needs.
- M's directors approached HSBC to request a loan for £750,000 and an overdraft facility of £100,000. They intended to use the loan to replace the invoice discounting facility and provide working capital, while keeping the mortgage, Roof Loan and CBIL in place. (There is a dispute between the parties as to whether the documentary evidence shows M's directors' intentions, but I don't need to make any findings on that point. Whatever the documents say, HSBC accepts the directors' evidence as to their intentions.)
- HSBC was not prepared to lend M as much as its directors wanted. At the time, M's directors did not know the reason for HSBC's refusal. Much later – see below – they discovered that HSBC had relied on incorrect information.
- Instead, HSBC offered M a loan of £640,000 (referred to in correspondence as the 'First Loan') and a £250,000 overdraft. HSBC also said that both the Roof Loan and the CBIL had to be repaid if the First Loan went ahead.
- M's directors were not happy with HSBC's offer and have provided detailed commentary as to why they were unhappy. But they did accept the offer. The First Loan was therefore drawn down, and the Roof Loan and CBIL were repaid. The interest rate on the First Loan was 4.29% over Bank of England Base Rate (which was higher than the interest rate on the Roof Loan and the CBIL). The First Loan had a term of seven years.
- M's directors say that M was then short of cash. They wanted to borrow an additional £750,000, but HSBC's requirement for M to repay the Roof Loan and CBIL meant they had less than a third of the additional cash they needed. M therefore borrowed additional funds from alternative lenders:

- From Lender 1: £70,000 in April 2023 followed by £65,000 in May 2023, at a rate of 5.35% per 30 days.
- From Lender 2: £165,000 in March 2024 at a rate of 17.40% per annum.
- From Lender 3: £159,000 in October 2024 (used to repay the borrowing from Lender 1) at a rate of 22.68% per annum.

These loans are described in the correspondence as ‘the bridging loans’. M paid arrangement fees of £24,217 for the bridging loans.

- In late 2024, M’s directors found out why HSBC had refused to lend M an additional £750,000 in 2023. I don’t think the exact details of the error are relevant now, given that HSBC fully accepts that it made a mistake. But in brief, HSBC relied on a valuation report which included incorrect information, and as a result HSBC did not consider M’s property sufficient security for the borrowing M’s directors had requested. M’s directors asked HSBC for a copy of the relevant report in 2023, but HSBC did not provide it (even though the bank accepts that the directors were entitled to see a copy). I believe everyone accepts that if the directors had seen the report in 2023 they would have quickly identified the errors.
- Following discussions, HSBC agreed to offer a replacement loan (referred to in the correspondence as ‘the New Loan’) to repay the First Loan and the loans from Lender 2 and 3. The New Loan of £1,169,000 was drawn down in April 2025. It has a term of 15 years and a rate of 2.79% over Bank of England Base Rate. M’s directors accept that the decision to seek lower monthly repayments (and hence a longer term) was theirs, but they say that decision should be understood in context; M’s cash flow had been severely compromised by the bank’s error and subsequent delays.
- HSBC accepts that if it had made no errors, it would have lent the amount M’s directors had requested back in 2023.

The parties are broadly in agreement about what HSBC did wrong, but they are very far apart when it comes to compensation.

HSBC initially offered to pay M £1,000 for inconvenience. It later increased that offer to £24,217 to cover the arrangement fees M paid in respect of the bridging loans. But M’s directors say that HSBC’s errors mean M will lose over £300,000 in interest alone, and HSBC’s offer therefore falls a very long way short of M’s losses.

One of our investigators looked at the complaint and made recommendations as to how HSBC should compensate M. Neither party accepted his recommendations, so the complaint was referred to me for a final decision.

My provisional decision

I issued a provisional decision on this complaint in April 2026. I said:

“I have come to broadly the same conclusions as our investigator on most issues – but I intend to order HSBC to pay M slightly less than he recommended. Based on what I’ve seen so far, I think HSBC should pay M:

1. £23,117 as a refund of fees for the bridging loans. (That is, a refund of £24,217 for the arrangement fees M actually paid, less the additional £1,100 M would have paid had it gone ahead with a £750,000 loan from HSBC in early 2023.)

2. The difference in the amount of interest paid by M on the bridging loans and what those loans would have cost at a margin of 4.29% over Base Rate.
3. The difference in the interest paid on the Roof Loan and CBIL from the day they were repaid by the First Loan to the day the First Loan was repaid by the New Loan.
4. Interest at 8% per year simple on the sums above from the date charged to the date refunded.
5. £1,000 for inconvenience.

Unlike our investigator, I do not intend to order HSBC to make any payments in respect of loans made by M's directors. In addition, I do not intend to order HSBC to make any payments in respect of tax.

I give more details about my findings below.

What would have happened if HSBC had made no errors?

In this case, my aim is – so far as possible – to put M into the position it would have been in if HSBC had made no errors.

I have first considered the period between April 2023 (when the First Loan was drawn down) and April 2025 (when the New Loan was drawn down).

I think it is clear the Roof Loan and CBIL would have remained in place in April 2023 if everything had happened as it should. It is also clear that the bridging loans would not have been taken out. I'm satisfied that M would have taken out a different loan from HSBC, but it is not clear what the interest rate on that alternative loan would have been, nor is it obvious what term M's directors would have chosen for a £750,000 loan in 2023.

If HSBC had properly understood the nature of the security M was offering, it is possible (although by no means certain) that the bank would have offered a £750,000 loan at a different rate to the rate actually offered on the First Loan.

In respect of the loan's term, the contemporaneous evidence I have seen suggests that M's directors were considerably more concerned about cash flow than they were about how long M would be paying interest for. It is possible that if they'd borrowed more from HSBC – and hence less from other lenders – they would have been willing to choose a shorter term. I note that the First Loan had the effect of extending the term of the CBIL borrowings (which would otherwise have been repaid in May 2026) and reducing the term of the Roof Loan borrowings (which would otherwise have been repaid in May 2032). I also note that the directors eventually chose to extend the term of M's borrowing considerably when they took the New Loan. In the circumstances, I don't think I can reach firm conclusions as to the term of the loan M's directors would have chosen if everything had happened as it should.

Given the uncertainty, for the purposes of calculating compensation I think it is fairest to assume that both the term and the rate on a hypothetical £750,000 loan would have been the same as the First Loan (seven years with a 4.29% margin over Bank of England Base Rate). If either party disagrees with that assumption, I ask them to explain why in their response to this provisional decision.

So, for the period between April 2023 and April 2025, I think HSBC should compensate M on the following assumptions:

- M's Roof Loan and CBIL would have remained outstanding.
- M would have taken a loan with HSBC for £750,000 over a term of seven years at a rate of 4.29% over Bank of England Base Rate.
- M would not have taken any of the bridging loans.

I have given more detail below as to how I think that can best be achieved.

For the period from April 2025 (when the New Loan was drawn down) onwards, I don't think it would be fair for me to order HSBC to pay any compensation at all.

I don't know what would have happened in April 2025 if HSBC had made no errors in 2023. It is possible that M would still have refinanced in 2025, perhaps into a product similar to the New Loan but perhaps into a product with a longer or shorter term. It is also possible that M would have repaid the Roof Loan and CBIL on their original schedules and kept the £750,000 loan to the end of its term. There are of course many other possibilities.

I understand from HSBC that it was in principle willing to offer the New Loan over a shorter term, but M's directors wanted a term of 15 years. HSBC has suggested their choice was because of affordability. Whatever the reason, I don't think it would be fair for me to order HSBC to pay compensation for any losses M may have suffered from April 2025 onwards.

If M had kept its CBIL and Roof Loan as well as a taking a new loan of £750,000 in 2023, I don't think the total balance of that borrowing would have been more than the £1,169,000 that HSBC lent to M when the New Loan was drawn down in April 2025. The interest rate on the New Loan is less than the rates M would have paid on its previous borrowing. I acknowledge that the term of the New Loan is considerably longer than the term of the First Loan, but the evidence I have suggests that is the result of M's directors' choices.

I am aware that HSBC considers the impact of the New Loan means it should not have do more than refund the arrangement fees on the bridging loans, but I don't agree. I think the New Loan meant that M did not incur any additional losses from April 2025 onwards – but I don't think the New Loan did anything to compensate M for the losses it suffered before April 2025.

The New Loan has an interest rate of 2.79% over Bank of England Base Rate, which is obviously lower than the 4.29% over base rate on the First Loan. But HSBC has not been consistent in its explanations as to why the New Loan has a lower rate.

Early in our investigation, HSBC told us:

“We would also like to point out that the bank has refinanced the lending and offered a significant rate reduction – information from the RM provided below:

Total Lending = £1,167,000 (which included new monies of £490,000)
No fee was charged for this and interest reduced at 2.79% over BOE BR
where the previous rate had been 4.29% over BOE BR

This reduced rate was agreed as a result of the errors.”

If the reduced rate was indeed as result of the errors, then I think it would have been fair for me to have taken the benefit of the reduced rate into account when considering compensation. But I note that HSBC has also provided comments suggesting that the lower rate was not because of the errors. In particular, when our investigator asked HSBC if it was possible to put a cash value on the “significant rate reduction”, HSBC told us:

“When we refinanced the loan in question, the remaining balance was £512k with 60 months left to run. This loan was originally at 4.29% over Bank Base Rate. We refinanced it at 2.79% over Bank Base rate. The customer therefore received a cost saving on this of £21,883.80 over what would have been its remaining 5-year term.

We did of course apply the rate of 2.79% to the new loan we provided but had this been on a stand-alone basis, this may have been priced differently anyway with a stronger loan to valuation and bigger debt quantum so I think it would be difficult to consider our ‘compensation’ through the loan here to be any higher than the £21,883.80 calculated above.”

(I don’t think HSBC is correct to describe the £21,883.80 figure as “compensation”. Instead, I think the New Loan means that from April 2025 onwards M will suffer no further losses as a result of the errors HSBC made before April 2023.)

In light of HSBC’s comments, I think it is likely that the bank would have been willing to provide the New Loan to H at the same term and rate regardless of what had happened in 2023. I do however accept that HSBC is likely to have charged an arrangement fee on the New Loan in 2025 if it had not made errors in 2023.

Refund of fees

If everything had happened as it should, C would not have had to pay arrangement fees on the bridging loans. Those fees should therefore be refunded.

However, I note that the arrangement fee on M’s First Loan of £640,000 was £6,400. I think it is therefore logical to assume that the arrangement fee on a hypothetical loan of £750,000 would have been £7,500. HSBC has not requested credit for that difference, but it has also said that it doesn’t think it should have to pay more than £24,217.

My view is that HSBC should refund £23,117 to M in respect of arrangement fees. That is the difference between the arrangement fees actually paid and the fees that would have been paid if everything had happened as it should.

In other words, if M had taken out a £750,000 loan from HSBC I think it would have had to pay an arrangement fee of £7,500. M actually paid arrangement fees of £6,400 (for the HSBC loan) and £24,217 (for the bridging loans). HSBC should refund the difference between those fees.

I have thought carefully about whether compensation should be reduced by the amount of the arrangement fee that M might otherwise have paid on the New Loan it took out in 2025. But I don’t think that would be fair. As I’ve said, I don’t think it is possible for me to make any firm findings about the term of the loan M would have taken out in 2023 if everything had happened as it should. It’s possible M would have

taken a loan over a 17-year term in 2023 (albeit for a smaller amount) and would not then have taken a loan over a 15-year term in 2025. Given the uncertainty, I don't think it would be right for me to take into account the cost of any arrangement fee on the New Loan.

Refund of interest – bridging loans

I acknowledge that HSBC has previously questioned why it should have to refund interest on the bridging loans, bearing in mind that the bridging loans were for over £300,000 and yet there was only a £110,000 difference between the £750,000 loan M's directors wanted and the £640,000 First Loan that M actually took. But I think HSBC's question ignores the fact that in order to take the First Loan M was also required to repay the Roof Loan (of £230,000) and the CBIL (of £185,000).

If M had taken a new loan of £750,000 from HSBC, and had not been required to repay the CBIL and the Roof Loan, I am satisfied that M would never have taken the loans from Lenders 1, 2 and 3. The interest rates on those loans was significantly higher than the rate M would have paid on a £750,000 loan from HSBC. I therefore think it is fair for HSBC to refund that difference.

Refund of interest – replacement for CBIL and Roof Loan

I understand M paid 3.99% over Base Rate on the CBIL and 3.33% over Base Rate on the Roof Loan. Those rates are lower than the 4.29% over Base Rate paid on the First Loan. If everything had happened as it should, the Roof Loan and the CBIL would have remained in place. That means I agree with our investigator's recommendation that HSBC should refund the additional interest M paid, over and above the interest it would have paid had the Roof Loan and the CBIL remained.

Interest at 8% per year simple

M's directors told us the difficulties caused by HSBC's error significantly impacted M's cashflow. I consider their comments to be plausible and persuasive. It is obvious that a loan of only £640,000 would leave M with less access to cash than a loan of £750,000 plus existing loans of £230,000 and £185,000.

M's directors were able to mitigate the impact by taking bridging loans, as above. But the interest on those loans was significantly higher than the interest on the HSBC loans would have been, with the effect that M was deprived of cash.

Where a complainant has been deprived of money, then it is open to me to make an award of 8% simple interest per year on the amounts that complainant has been deprived of, as a proxy for the losses the complainant suffered as a result of the deprivation.

I acknowledge M's directors consider the award recommended by our investigator is not enough. If they are able to provide evidence that the lack of cashflow caused a specific, measurable loss of some other amount to the company M, then I would consider awarding that amount instead of (but not as well as) an award of 8% per year simple.

I stress that I would only consider evidence that shows the company M suffered a loss as a result of being deprived of funds. As I explain below, I have no power to make an award for any losses that may have been suffered by M's shareholders or directors.

Inconvenience

HSBC initially offered to pay M £1,000 for the inconvenience caused by this matter. We publish information about our approach to award for inconvenience on our website at <https://www.financial-ombudsman.org.uk/consumers/expect/compensation-for-distress-or-inconvenience>. We might make an award of £1,000 to recognise serious disruption, with the impact felt over more than a year.

In this case, M's directors had to arrange several alternative loans, and make changes to ensure the company could pay the interest due on those loans. In the circumstances I think a payment of £1,000 for inconvenience is fair.

Loans from directors to M

Our investigator recommended that HSBC should refund interest on loans made by M's directors to M. He said the directors should provide contemporaneous evidence of amounts advanced personally after the drawdown of the First Loan together with amounts of interest paid by M on those sums.

However, I have not seen contemporaneous evidence (or indeed any evidence) that persuades me that the directors lent money to M. On the contrary, it appears from M's accounts that it was the other way around, and the directors owed money to M throughout the relevant period. That debt from the directors to M was around £210,000 in September 2021, then fell to around £190,000 in 2022 and £160,000 in 2023 before rising sharply the following year

Tax

M's directors have suggested that M may have suffered a tax loss, but they have not provided a detailed explanation as to how much they believe M has lost.

I can see a potential tax benefit between 2023 and 2025, because the higher interest rates M paid reduced its profits. But I think that is likely to be cancelled out by higher tax in the year in which compensation is paid.

I also understand that M has paid corporation tax in respect of directors' loans, but I am not persuaded that HSBC's errors were the cause of the directors' decisions in respect of those loans. I acknowledge that higher interest rates would have reduced (and perhaps even eliminated) M's ability to pay dividends to its shareholders. But that does not automatically mean that M was required to take any action with respect to directors' loans.

Unless M's directors provide further evidence to show that M has (or will) suffer a tax loss as a result of HSBC's errors, I do not intend to order HSBC to make a payment in respect of tax.

Directors' personal losses

M's directors have spoken eloquently about the distress this incident has caused them, as well as its impact on their family life and their ability to fund family milestones. I don't underestimate that impact. But I simply have no power to make an award for financial or non-financial loss suffered by the directors as individuals. That applies equally to any losses they may have suffered as shareholders.

In a complaint like this, I can only make an award in favour of the bank's customer. The customer here is M, which is a separate legal entity from its directors. That means I can only consider M's losses.

Consultancy fees

I understand M paid fees of around £30,000 to an entity which hoped to arrange a buyer for M's shares. But I don't think that payment was a result of HSBC's error, and so I don't think it would be fair for me to order the bank to refund the money.

I also note that M's directors have implied that a sale of M's shares was always the plan, but that plan failed due to high interest rates being paid. I can't see that a failure to sell M's shares is a loss to the company. It might be a loss to M's shareholders, but that's not the same thing at all. And as I've said, I have no power to make an award to anybody other than M."

Neither party accepted my provisional findings.

M's directors provided a detailed response, which I confirm I have read in full. Broadly they accepted my provisional findings in respect of losses M suffered up until the New Loan was drawn down, but they asked me to look again at losses after that date. They say that if no consideration is given to the ongoing interest burden arising from the extended term, M will be left to absorb that cost in its entirety. They consider that is a cost flowing directly from the bank's error, and they do not believe that is a fair outcome.

HSBC has not provided a substantive response. I am satisfied the bank did receive my provisional decision, because it asked for more time to reply. I granted the extension it requested, but we did not receive the bank's response by the extended deadline. Our investigator therefore wrote to HSBC to confirm that he had passed the file back to me for me to issue a final decision.

If a respondent fails to comply with a time limit, our rules allow me to proceed with my consideration of the complaint (see DISP 3.5.14R). In these circumstances, I consider it is fair for me to issue this final decision despite not having HSBC's full response. I am satisfied the bank has had the opportunity to respond if it wished to do so. I note that HSBC did respond fully to our investigator's findings, which were broadly similar to mine, and I have taken into account the comments the bank made at that stage. I don't think it would be fair to M for me to delay issuing my final decision any further.

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 have reached the same conclusions as I did in my provisional decision, for the same reasons. I therefore confirm those provisional conclusions as final. But I will make some further comments below.

As I said in my provisional decision, my aim here is – so far as is possible – to put M in the position it would have been in if HSBC had made no errors. But it is impossible for me to know exactly what that position would have been. I have therefore made several assumptions, for example as to the term and interest rate of the loan M would have taken instead of the First Loan if no mistakes had been made. I think those assumptions produce a fair result, but I recognise that they are unlikely to perfectly reflect what would have

happened in the absence of any mistakes.

I know M's directors feel strongly that M should be compensated for future losses (or, as they put it, for "the ongoing liability of approximately £300,000 that would simply not exist but for HSBC's mistake"). I have considered this issue carefully, but I don't think it would be fair for me to ignore the fact that M's directors chose to extend the term when the New Loan was drawn down. I entirely accept that that choice was made against the background of an extended period of M having been deprived of cash. But that choice was still made, and I don't think I can fairly order HSBC to pay for the consequences of that choice.

I note that even if everything had happened as it should in April 2023, it is still possible that M's directors would have chosen to extend the term of M's borrowing in April 2025. I also note that it is open to M to make changes to its borrowing arrangements in future, including potentially using the compensation it receives from this complaint to reduce its borrowing. Any such changes may incur costs, but it will be for M's directors to decide whether those costs are worthwhile.

My final decision

My final decision is that I uphold this complaint. I order HSBC UK Bank Plc to pay M:

1. £23,117 as a refund of fees for the bridging loans.
2. The difference in the amount of interest paid by M on the bridging loans and what those loans would have cost at a margin of 4.29% over Base Rate.
3. The difference in the interest paid on the Roof Loan and CBIL from the day they were repaid by the First Loan to the day the First Loan was repaid by the New Loan.
4. Interest at 8% per year simple on the sums above from the date charged to the date refunded.
5. £1,000 for inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask M to accept or reject my decision before 29 May 2026.

Laura Colman
Ombudsman