

complaint

Ms E complains that HSBC Bank Plc failed to communicate with her for long periods about repayment of a debt she had guaranteed and then imposed an unrealistic deadline for her to sell her home. She wanted the bank to allow a realistic time frame to sell her home, to accept liability for its legal costs and to understand how much stress it has caused her.

background

Ms E gave a guarantee to HSBC for £100,000 to cover the debts of a company where she was a director. The guarantee was supported by a second charge over her home. The first charge supported the residential mortgage. In 2007 the business was put into liquidation and the bank made formal demand for repayment under the guarantee for debts of £93,000.

In 2013 Ms E sold her home and settled her liability to the bank. The bank accepted £88,000 in full and final settlement to cover the principal outstanding and accrued interest since 2007. The bank also agreed not to charge Ms E for any of its legal fees – which it was entitled to do under its agreement. The bank has released its charge.

Ms E says she is still very unhappy with the way the bank handled the situation between 2007 and 2013. She says that at all times she tried hard to keep an open dialogue with bank in an effort to reach a solution. She says that the bank's communication was inconsistent, that it did not respond to her offers to settle the debt, that there was no need to appoint lawyers and that it send letters to the wrong address. She says that in 2013 it put unreasonable pressure on her to sell her home and this meant that she did not achieve the best price.

The bank says that having made formal demand for repayment in 2007 it was very flexible in allowing Ms E time to sell her home and to repay her liability. It says that the offers Ms E made to settle the debt were not acceptable. It does accept that some letters were sent to the address of the secured property which Ms E had let to tenants rather than to her correspondence address. The bank considers that its agreement to accept £88,000 in full settlement for a debt of £93,000 plus interest, and to waive all legal fees is a fair and reasonable response to the situation.

The adjudicator did not recommend that the complaint should be upheld. She concluded in summary that the bank had not made an error in seeking repayment of its debt. She recognised that the bank's communication had been unsatisfactory and this caused Ms E some distress and inconvenience. But she considered that the bank's decision to accept a figure over £5,000 below what was owed was a fair and reasonable outcome. Ms E said the bank's actions had caused her to lose more than this on her property.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

There has been a lot of contact between Ms E and HSBC since 2007. As the home has now been sold and the debt settled I will focus on the key outstanding issues.

I recognise that in 2013 the bank put pressure on Ms E to sell her property within a defined timescale and threatened to take possession if it was not sold. I also recognise that this may

have meant that she could not achieve the very best price for her home. But I find that Ms E was made aware in 2007 that the bank was seeking repayment of the debt and she could have taken action at any point to sell the property. The bank is not required to accept any offer that Ms E made to settle the debt for less than was outstanding. I do not find that the bank made an error in setting a deadline for the sale of the property in 2013.

I understand that the failure of the business and the need to meet her liability under the guarantee will have caused Ms E significant stress. I also recognise that the inconsistent and patchy communication from the bank and its lawyers will have added to the uncertainty and the stress she suffered. The bank has accepted that it made a mistake in sending letters to the wrong address. But on balance I consider that the bank's decision to not add any legal fees to the debt, to effectively waive any interest it could have charged and to accept a settlement below the principal owed in 2007 is a fair and reasonable response to Ms E's complaint.

my final decision

My final decision is that I do not uphold this complaint.

John Thornton
ombudsman