

complaint

C, a limited company, complains that HSBC UK Bank Plc gave it misleading information about the time it would take to return a payment. C is represented by its director, who I'll call Mr V. Mr V says C has financial losses and its reputation has been damaged. He asks that HSBC pays compensation.

background

A third party (who I'll refer to as "T") made a payment from overseas to C in early 2018. Mr V says the money was for a deposit relating to the purchase of business assets. The payment was paid to a closed business account. HSBC returned the payment. HSBC offered a temporary overdraft to C while the payment was returned and re-sent to the correct account.

Mr V says HSBC misled him about the time it would take to return the money to T. He says T was going to fund the balance of the cost of the business assets, but lost confidence and withdrew from the transaction due to the delays. Mr V says he wasn't able to secure finance elsewhere and C lost the deposit it had paid and its reputation was damaged. Mr V says he wouldn't have taken the temporary overdraft if HSBC had told him how long the payment return would take.

Our investigator didn't recommend that the complaint should be upheld. He said the time taken by HSBC to return the funds wasn't excessive. There was no evidence HSBC told Mr V the payment would arrive back with T within 1 to 3 days. HSBC wasn't to blame for T losing confidence and deciding not to support C's transaction. It wasn't wrong for HSBC to offer an overdraft facility, which was agreed by C.

C didn't agree. Mr V said he'd been misled by HSBC when it said the funds would be returned to T within three days.

Mr V had hoped to sort this matter out directly with HSBC. This hasn't been possible, so the complaint has been passed to me.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

what happened?

Mr V gave written instructions in February 2017 for HSBC to close C's US dollar account. Mr V had intended to close a different account, but gave the wrong account details in his letter. HSBC couldn't re-open the account. It opened a new US dollar account for C.

Mr V gave the account details for the closed account to T in February 2018. HSBC says it received the funds but couldn't transfer them to the correct account. It said it had to return the funds.

HSBC returned the payment. The funds left HSBC on 26 February 2018. HSBC sent an email to C on 1 March 2018 saying that the funds could be held by intermediary banks but had definitely left HSBC. T received the funds on 6 March 2018.

HSBC approved a temporary overdraft on 2 March 2018 so that C could pay a deposit for the business assets pending the payment from T being re-sent. It was agreed the overdraft would be in place until the end of April 2018. A payment of about £22,000 left C's account on 2 March 2018.

T withdrew its funding for C's transaction. Mr V says C was unable to find finance elsewhere and couldn't complete the transaction.

C's account was temporarily frozen in June 2018 and HSBC sent letters of concern. HSBC extended the overdraft until October 2018. In October 2018 HSBC asked that C reduce the overdraft by £1,000 each month. It confirmed the interest, fees and other terms that would apply.

did HSBC make an error?

I don't think HSBC was at fault for closing C's US dollar account in February 2017. It acted on Mr V's instructions. I don't think it's reasonable to say that HSBC should have known he'd made an error. Mr V was aware that the account was closed and a new account opened with a different account number.

HSBC wasn't responsible for T having the wrong account details for the payment. Because the payment was sent to a closed account, HSBC returned the payment.

HSBC confirmed the funds would be returned in an email to Mr V on 26 February 2018. It provided a reference number for Mr V to contact its payments team if he needed an update. There's no evidence of any delay by HSBC returning the funds.

Mr V says HSBC told him it would take 1 to 3 days to return the funds. HSBC says it didn't tell him this. I don't think, based on the available evidence, I can reasonably find that HSBC misled Mr V about the time it would take for the payment to be returned. And I don't think matters would have been different if Mr V had known from the outset how long it would take. Mr V says if he'd known it would take more than three days he'd have had the option to decline the bridge finance from HSBC or re-negotiate with T. But HSBC's email on 1 March 2018 said there could be delays with the payment. A £22,000 payment (presumably the deposit) was made on 2 March 2018 – after Mr V was told about the possibility of delays. So Mr V did have an opportunity to consider whether or not to go ahead with the payment which resulted in the overdraft debt.

There are emails about a temporary overdraft on 28 February and 1 March 2018. While the parties dispute whether C asked for an overdraft or whether HSBC first suggested it, I don't think this changes the outcome. C agreed to the overdraft and made use of the funds. I don't think it was wrong for HSBC to offer the overdraft or for it to apply interest to the debt.

It's unfortunate that T decided not to proceed. I don't think HSBC is responsible for this.

Although the overdraft was intended to be temporary, C was unable to repay the debt at the end of April 2018. The overdraft was renewed several times for short periods as Mr V told HSBC he hoped C would be in a position to repay it. HSBC sent letters of concern and

suspended C's account for about two weeks in mid 2018. It asked for information about C's trading and financial position. I understand this was inconvenient. But I think HSBC is entitled to ask for information to support its decision to lend or continue to lend to C.

In October 2018 HSBC sent a letter confirming the terms on which it would continue to offer an overdraft facility. Mr V spotted some inconsistencies, such as whether the overdraft would be reviewed in September or October 2019 and whether C needed to continue to reduce it each month from February to October 2019. He said he needed, but couldn't afford, legal advice on the terms. HSBC agreed to meet with Mr V to discuss the terms. I think this was a fair response. I don't think HSBC had to pay for Mr V to take legal advice. Mr V says he was waiting for HSBC to contact him with a date. HSBC suggested meeting during the second week of November. I see no reason why Mr V couldn't have replied agreeing to this, specifying what day he was available or suggesting a different date, if he did need to discuss the terms.

Overall, I don't think HSBC made an error here or acted unreasonably. It follows that I won't be upholding this complaint.

my final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask C to accept or reject my decision before 5 October 2019.

Ruth Stevenson
ombudsman