

complaint

Ms S complains about the terms for ongoing support for her business borrowing by HSBC Bank Plc when she was in financial difficulty.

background

Ms S experienced ill health and in 2011 this affected her ability to make all her loan repayments. HSBC expressed concern at the growing arrears and about the uncertainty of the value of its security. It transferred management of her borrowing to its special situations unit. Ms S planned to sell a property to help reduce borrowing. This was sold in November 2013. In January 2014 her borrowing was restructured. Her accounts have now been returned to normal management.

The adjudicator did not recommend that the complaint be upheld. He said that:

- HSBC allowed an extended period of time for Ms S to turnaround her business and sell a property.
- It switched one of her loans to an interest only basis and did not increase the interest rate- this brought her monthly repayments down significantly.
- A monthly management fee of £495 was charged to cover the increased level of monitoring and risk.
- During this time the business traded profitably and there was no evidence that this fee adversely affected her overall financial difficulty.
- The interest rate on borrowing was increased in January 2014 when it was restructured.
- This reflected market rates at the time.
- He considered that HSBC had treated Ms S positively and sympathetically.

Ms S did not agree and said, in summary, that the fees and in particular the monthly management fee were excessive. She is unhappy that the interest rate increased when the loans were needlessly amalgamated.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

As the adjudicator has said, HSBC treated this business borrowing as a turnaround rather than recovery situation. It was only in mid 2013 that a letter of concern formally mentioned the alternative possibility of the appointment of a Law of Property Act Receiver.

The monthly management fee appeared to be based on a percentage of overall exposure (0.1% per month). I understand why Ms S thinks this was excessive. But, against this I can see from HSBC case records that it did manage her account intensively internally as the alternative to recovery action. And the interest rate applied to the largest loan was not increased and was below its internal guide for a loan of this risk and size. So I need to consider the overall position.

As the adjudicator has said, at least until July 2012, only interest was applied to this loan, and from then, based on what Ms S could afford, a small monthly repayment was made. When the loan was restructured in 2014 and the interest rate increased, the monthly fee stopped. And that was before the account had been returned to normal management.

I appreciate that any fees and interest during this period of financial difficulty were unwelcome. The file notes and letters from HSBC show all of these were communicated to Ms S clearly at the time. I understand why she wants to challenge them now, probably feeling unable to at the time. But I'm afraid I'm unable to conclude that the fees and interest payments were disproportionate or unfairly applied.

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 Ms S to accept or reject my decision before 11 April 2016.

Michael Crewe
ombudsman