

The complaint

Miss V complains that HSBC UK Bank Plc (“HSBC”) gave her incorrect advice that her loan was approved when it was still subject to assessment. This caused her to enter into an agreement to purchase a car and pay a deposit. The loan was subsequently approved at a higher rate of interest than the rate which Miss V applied for.

What happened

On 2 October 2023 Miss V applied online for a personal loan from HSBC. Miss V applied for a fixed sum loan of £18,000 repayable over a term of 60 months at an interest rate of 7.4%.

Later the same day, Miss V called HSBC for an update on her loan application and was advised that the loan had been approved and that she should receive funds within 24-48 hours.

Miss V paid a deposit of £500 on a car on the understanding that her loan had been approved and that funds would be available to her by the end of that week, when she intended to collect the car.

Miss V received a text advising her that the loan had been referred to the underwriting team, who had completed an assessment and approved the loan at a rate of 9.9%.

Miss V contacted HSBC as she wasn’t happy with the interest rate. She later accepted the loan decision and the funds were paid to her account.

Miss V complained to HSBC. She said she’d been advised that her loan had been approved and had paid a deposit towards a car in reliance on the information. She said if she’d known that the interest rate was going to be so high, she would not have proceeded with the loan, but as she’d already paid the deposit for the car she was left with no option.

HSBC upheld the complaint. It said that it had misadvised Miss V when it told her that the loan had been approved. It awarded compensation of £150 for the misinformation but said it wouldn’t reduce the interest rate because Miss V had agreed to the terms and conditions of the loan quote when she submitted her application.

Miss V remained unhappy and brought her complaint to this service.

Our investigator didn’t uphold the complaint. She said that Miss V had accepted the increased rate, and that the website made it clear that applications were always subject to further checks.

Miss V didn’t agree. She said she understood that she’d accepted the increased rate but had only done so because she’d already paid a deposit of £500 when she was told that her loan had been approved. Miss V said that regardless of whether or not the interest rate could be reduced, she would expect compensation of £500.

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.

I've reviewed what Miss V would have seen on the screen when she applied for the loan online. The website makes it clear that the advertised rate of interest is representative, and that the representative APR may not be the rate you'll receive. The information goes on to state that the rate offered will be based on an assessment of personal financial circumstances and that the maximum APR you could be offered is 22.9%.

I appreciate that Miss V was hoping to obtain her loan at 7.4%. However, this wasn't guaranteed and there was always the possibility that she would be approved for the loan at a higher APR.

Miss V has said that she proceeded to pay a deposit on her car on the basis of information which was given to her when she called HSBC on the day that she made her loan application. HSBC has acknowledged that Miss V was provided with incorrect information when she called on 2 October 2023, when she was advised that her loan was approved. It says she should have been advised that her loan was still pending a full assessment review.

I can see that Miss V's loan was reviewed and approved on 5 October 2023. Although Miss V has said that she was unhappy with the APR offered, I can see that she accepted the offer of a loan at 9.9%.

Miss V has said that she only accepted the loan at the rate offered because she'd already paid the deposit on the car in the belief that her loan had been approved. I have some sympathy with Miss V, because it's clear that she was given incorrect information about the status of her loan. However, even though Miss V was (incorrectly) advised on 2 October 2023 that her loan had been approved, she wasn't advised that if the loan had been approved at a rate of 7.4%. If the rate was going to be a determining factor in Miss V's decision on whether or not to take out the loan, I would've expected her to wait for written confirmation of the loan and the rate applicable before paying a deposit or any other monies towards the car.

Taking everything into account, and whilst I can see that Miss V was given incorrect information, this doesn't mean that the interest rate should be reduced, because – as I've said above – the APR advertised on the website was representative only and subject to checks being carried out. I'm satisfied that the compensation offered by HSBC for the incorrect information is fair and reasonable.

My final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss V to accept or reject my decision before 30 May 2024.

Emma Davy
Ombudsman