

The complaint

Mr B complains HSBC UK Bank Plc treated him unfairly in relation to loan applications he made.

What happened

Mr B completed an application online, for a personal loan for £12,000 to be repaid over 36 months. At the time, the bank was advertising an Annual Percentage Rate (APR) of 4.9% (representative).

Mr B says he couldn't see if he'd been approved for the loan or the APR, so he was left with no option but to click on the 'apply now' button. When he did this, he saw he had been approved for the loan but with an APR of 7.9%.

Mr B looked through the figures but didn't like how much he'd need to pay so he decided to see if he could extend the term to lower the repayments. But the system wouldn't allow this.

Upon telephoning the bank's underwriting team Mr B was told he'd need to delete the current application and submit a new one to get the repayment term he wanted. And so, after a few days, Mr B submitted another application on the original term of 36 months as his circumstances had improved. HSBC offered him an APR of 10.9%.

Mr B contacted the underwriting team to complain about the APR. It told him, this was due to him applying a second time, after deleting the first application.

After some back and forth, the underwriters agreed to a lower APR, offering 8.9 % for the loan. The rate wasn't immediately amended on the credit agreement, which meant Mr B had to contact the bank.

He eventually signed the credit agreement with the correct rate and returned it to the bank. But says he remained unhappy.

HSBC investigated and issued a response. In summary, this said:

- When Mr B had submitted the first application, he was told what APR it was prepared to offer. Once an application is submitted it isn't possible to amend the details.
- If Mr B wanted to change the details, he'd have to submit a new application, which is what happened here.
- It couldn't guarantee he'd get the same APR.
- It noted the APR was still too high for Mr B following another application. But it had subsequently agreed to reduce this. It was sorry to hear he remained dissatisfied with the rate. But overall, it didn't think it had done anything wrong in how it had handled the applications.
- It had paid £30 compensation for not amending the rate to 8.9%. It had now done so.

Mr B didn't accept the bank's answer. He felt that the application system was flawed because it didn't allow changes to be made. Instead, it pushed him into making an application which had ultimately disadvantage him. To resolve matters, he wanted HSBC to honour the original rate or pay him a sum that accounted for the difference in the rates. He also wanted the bank to compensate him for the distress and inconvenience caused, including the cost of food and petrol, when visiting a branch in the city.

One of our investigators looked into what had happened. But she didn't uphold the complaint. She considered that HSBC's process was clear in that in clicking 'submit' Mr B was agreeing to go ahead with the loan application, which involved consenting to a credit check. She said that rates could change between applications and that ultimately there was no obligation on Mr B to go ahead with what he had been offered, but he'd decided to sign the credit agreement. She thought £30 compensation was fair for the delay in amending the loan agreement to 8.9%.

Mr B didn't accept these conclusions and asked for his complaint to be reviewed by an ombudsman.

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'm not upholding this complaint. I realise Mr B will be disappointed, so I'd like to explain why.

I've reviewed the bank's online application process and I consider it's clear in informing Mr B that by clicking 'submit' he'd be going ahead with his application. I understand he didn't like the amount he'd need to repay but he didn't contact HSBC before going ahead – instead he contacted it after he'd applied. So, I don't find it did anything wrong with the application.

I note the bank was advertising an APR of 4.9% at the time but it didn't guarantee to provide this rate. Rather, it said that the APR varied according to the size of the loan and that the amount an applicant wished to borrow may be close to one of the points where the APR changed. Information online also made clear that rates are subject to change and the illustrative APR may not be the rate received. Earlier conversations with the bank also confirmed that APRs couldn't be guaranteed as applications are subject to full risk assessments.

Because Mr B had gone ahead with his applications, they were 'live'. So, I don't consider it was unreasonable for the underwriters to say he'd need to delete an application and re-submit a new one, given he wanted to change key terms.

I'm satisfied that the online process makes clear that in submitting an application, it will be subject to a credit check. So, in making other applications the credit checks most probably did influence the rates offered. But I don't think the HSBC did anything wrong because it made clear it will undertake credit checks during applications. On this point, the online process says,

"We'll run a credit check after you agree and submit"

Mr B was also told over the phone that any further applications would still be subject to a credit check and assessment.

I understand Mr B doesn't like the bank's online process. But, putting all of the above to one

side for a moment, I think it's important to understand that there wasn't any obligation on him to accept the rate he was offered if he wasn't happy with the lending proposal. He could as our investigator explained, looked elsewhere for more competitive rates.

But in signing the agreement, Mr B confirmed he was happy to be bound by the rate he had been offered and I think it would be inappropriate for me to interfere with that, especially bearing in mind that he and HSBC ultimately agreed to the 8.9% (when the documentation was signed and returned).

I understand Mr B feels strongly about happened and I would like to assure him that I have considered everything carefully. But for the reasons I've given, I won't be asking HSBC to do anymore. This now brings to an end what we can do in relation to this complaint.

My final decision

My final decision is I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 31 October 2023.

Sarita Taylor
Ombudsman