

The complaint

Mr H complains about HSBC UK Bank Plc refusing to increase his overdraft and not refunding subsequent fees.

What happened

Mr H had a short-term cash flow issue, due to having to wait for a tax refund. So, he called HSBC to apply for a temporary increase to his overdraft from £750 to £2,500.

Mr H thought this would be a formality and was shocked and upset when his application was declined. HSBC said this was based on their lending criteria and commitment to responsible lending.

Mr H appealed to HSBC's underwriting service team, but they upheld the refusal decision.

Mr H was astonished at HSBC's lending refusal decision as he:

- a) Considers himself to be an extremely low risk with a perfect credit score
- b) Has been an HSBC customer for over 30 years and has always run his account in an exemplary fashion
- c) Holds a credit card, which he rarely uses, with a £13,000 credit limit on it
- d) Has an existing £750 overdraft
- e) Has a regular income from a drawdown pension of approx. £50,000
- f) Is a homeowner with no mortgage and no dependents
- g) Has never been subject to any CCJs or IVAs, as his credit score confirms

Mr H felt HSBC's refusal decision was wrong and forced him to borrow money on his credit card. Also, he considers that HSBC's decision has been proven to be incorrect, and therefore his credit card withdrawal was unnecessary. Also, he is able to demonstrate he immediately paid the £2,500 upon receipt of his tax credit just as he said he would.

As Mr H considered himself to have been treated unfairly and forced to pay a higher cost by having no choice but to use his credit card, he asked HSBC to refund the credit card £75 cash advance fee plus interest. However, HSBC maintain that they haven't made an error and declined to pay these amounts.

When Mr H registered his complaint, he considered the HSBC representative to have been rude by talking over him and suggesting it was his fault and choice to use his credit card. However, HSBC don't consider their representative to have been rude and maintain their position that they haven't made any errors.

Mr H complained to our service, seeking a refund of the above fees, a £100 compensation payment for hurt feelings, time wasted in submitting complaints, and rudeness from HSBC staff. However, our investigator didn't uphold his complaint.

As Mr H remains dissatisfied, this case has now been referred to me to look at.

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 appreciate this will be disappointing for Mr H and the following is the reason for my decision.

I should first explain that we are not the regulator for financial services and can't instruct a business to alter its policies, procedures, processes or systems. Also, banks have responsibilities to assess risk and are entitled to make commercial lending decisions.

However, our role is to consider each individual case and where we think a business hasn't acted fairly and reasonably in the circumstances, to decide what should be done to put right any financial, or non-financial losses that a consumer has experienced.

Mr H considers HSBC's decision to refuse him credit to be unfair and unreasonable, and feels they forced him to use a more expensive credit option. So, I checked to see if HSBC's decision was in line with their policy and fairly applied.

When Mr H made the request to temporarily increase his overdraft by £1,750 an HSBC representative informed him that they would use automated credit scoring to make a lending decision which could be reviewed manually. And HSBC's records showed that the information Mr H provided was entered correctly into their system.

HSBC have clarified that they take the following factors into consideration when making a lending decision for any customer:

1. Track record with the bank
2. Income and affordability to repay borrowing
3. Information supplied by Credit Reference Agencies
4. Other aspects of their criteria which they consider to be sensitive and therefore can't disclose

Although I think it reasonable for HSBC to say they won't share their lending criteria with anyone and it is their right to decline a request where they feel their criteria hasn't been met, I can understand factor 4 being frustrating, especially for a customer like Mr H who is confident he meets factors 1 to 3.

Mr H says he understands the need to prevent customers from trying to "game" such systems but feels HSBC didn't gather all the facts to be in a position to correctly assess affordability and make a commercial decision and / or failed to correctly interpret the facts that they did have. And, that they've discriminated against him for having a pension.

Whilst I'm unable to interrogate HSBC's system to see the logic or weightings applied, including frequency of non-salaried income, HSBC have provided some file information which our investigator communicated to Mr H as being:

'The key reason for the decline was because of irregular income credited to the account from different sources. The decision to reject was based on the credit turnover compared to the requested overdraft limit'.

From viewing this, together with other information on file, I am satisfied the approach HSBC applied took into consideration credit information, regulatory guidance and weighted other factors which were the same for all other customers with similar characteristics.

I recognise that Mr H is dissatisfied with HSBC's approach and application, but HSBC were entitled to apply assessment weightings and although Mr H may disagree, and did get the £2,500 tax back, it doesn't mean they made a wrong decision. And a business processing many applications is entitled to design and operate a system assessing risk based on

regulatory guidance. Also, as mentioned above, they're entitled to make commercial lending decisions.

Also, I can't say it's unreasonable for HSBC not to have a procedure for individual customers to consider and determine the likelihood of specific income being received, such as from the tax office which they would have difficulty validating.

I appreciate that because of HSBC's refusal decision, it was necessary for Mr M to use a credit card which attracted a fee and interest. However, although this was undesirable, I can't see that HSBC have made any error here. So, I don't think it would be fair to ask HSBC to cover this. Also, interest would've applied to the overdraft.

Regarding the level of service Mr H received from HSBC representatives over the phone, I listened to the calls on file including the one described by Mr H. My role is to be impartial and objective and I didn't think it would be fair to say that any HSBC representative talked over Mr H, blamed him or was rude. However, I can understand why Mr H was upset over one call. This is because there was a difference in opinion. Mr H felt he was being forced by HSBC to use an undesirable credit card because of a wrong and unfair decision, but the representative was confident the refusal decision was correct and didn't agree. But considering her comments were based on validated information, I don't think this was unreasonable.

So, having considered all the above, I'm not upholding this complaint.

My final decision

My final decision is that I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 5 February 2024.

Paul Douglas
Ombudsman