

The complaint

Mr and Mrs M complain that HSBC UK Bank Plc, trading as First Direct ("First Direct") has reduced their overdraft facility from £10,000 to £8,150. Mr and Mrs M say there was no explanation given, and they were concerned this happened because of age.

What happened

Whilst this complaint is brought by both Mr and Mrs M, as the current account is in both their names, our dealings have been with Mr M. So I'll mainly refer to him in this decision.

Mr M said that he and Mrs M had held their accounts with First Direct for very many years, and had a longstanding overdraft facility of £10,000. They got a letter in late February 2023 saying this facility was being reduced to £8,150 at the end of March. Mr M said First Direct hadn't spoken to them about their circumstances before it made this change, no explanation was given for it, and he was concerned that this had been done because of his age.

Mr M said he was very disappointed in the service he'd received. He wanted to know why this overdraft facility had been unilaterally reduced, how First Direct had arrived at the new limit, and he wanted First Direct to reinstate the facility with its previous limit.

First Direct showed us the letter it sent Mr and Mrs M on 21 February, saying their overdraft would be reduced from £10,000 to £8,150 on 27 March. It said it carries out regular reviews to make sure an overdraft is still suitable for customer circumstances, taking into account all sorts of things, including how Mr and Mrs M manage their accounts.

When Mr and Mrs M complained, First Direct said it has decided to continually review all its customers' overdraft limits to ensure they're still suitable. It said a number of factors are taken into account, but it said it wouldn't tell Mr and Mrs M what those were, as they are business sensitive. First Direct said it wouldn't stop the reduction from happening, but once the reduction had taken place, Mr and Mrs M could ask for their limit to be raised again if they thought they needed a higher limit.

First Direct apologised to Mr and Mrs M for not being able to change the decision, and it also said sorry about the length of time Mr M spent on hold, trying to talk to First Direct.

First Direct has sent our service the terms of Mr and Mrs M's account, which do say that arranged overdrafts will be reviewed regularly. It didn't think it did anything wrong, by reducing the overdraft on this account.

Mr M then wrote again, to say First Direct was now asking him and Mrs M to keep their overdraft below £5,360. He said he thought this letter, suggesting future arbitrary reductions were going to be made, was shocking. He said this amounted to bullying by the bank. He still thought this must be motivated by age discrimination. Mr M wanted us to look at the wider statistics of overdraft review, to prove this wasn't the case.

Our investigator didn't think this complaint should be upheld. She thought First Direct had considered relevant issues before reaching its conclusion to reduce Mr and Mrs M's overdraft. She said First Direct had shown us the documentation for this, and provided a clear rationale for the reduction. It had explained its decision to our service.

Our investigator said she understood Mr M's concern that his age may have been a factor in the reduction of the overdraft limit, but she said she'd reviewed the criteria, and was satisfied age wasn't a factor in First Direct's decision. She thought Mr M had been treated fairly and no differently from any other customer.

Our investigator noted that First Direct's terms said any overdraft facility was subject to review and assessment. And she said sufficient notice of the change was given to Mr and Mrs M. Our investigator didn't think First Direct had to do any more.

Mr M didn't accept that. He has written to our service a number of times since, setting out his concerns that we had simply accepted what the bank had said. He noted that First Direct hadn't spoken to him at all before the reduction. He said it was very wrong to withhold the reasons for changes on his account, and meant he had no effective way to challenge that decision. He said the bank was using us to justify arbitrary decisions.

Mr M said he didn't want to learn the internal procedures of the bank, he just wanted to understand why it was unilaterally seeking to reduce an overdraft he had held for very many years. He knew this was in line with the terms of his account, but he still wanted to know why it had been done. Mr M said that if the factor was policy based and perhaps refers to a reduction in the bank's exposure to personal overdrafts then he didn't believe that revealing this would have a wider impact on the bank.

Because no agreement was reached, this case then came to me for a final decision.

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 reached the same overall conclusion on this complaint as our investigator.

Mr M told us this overdraft facility had been on this account for very many years, without being changed. I understand this means the change must have come somewhat out of the blue for him, but it's part of the role of our service to set things like this in context. And I don't think it's surprising, in the context of more recent changes in approach to this form of lending, for First Direct to have indicated that it would like to reduce what was, and remains, a very large overdraft facility.

In late 2019 the Financial Conduct Authority changed its approach to overdrafts. Its new policy required banks not just to change how they charge for overdraft lending, but also to take steps to identify customers who are showing signs of financial strain or are in financial difficulty and support them to reduce repeat overdraft use.

I don't think there's any suggestion that Mr and Mrs M are showing signs of financial strain, but these underlying changes have encouraged banks to take a more proactive approach to reviewing pre-existing overdraft lending arrangements, and in many cases to reduce the lending available. Our service has seen a number of instances of this since 2019. I think it's fair to say that the overall approach of banks to overdraft lending has changed since then.

And I think it's likely that this is what lies behind First Direct's more recent review of Mr and Mrs M's available overdraft lending.

Mr M expressed concerns about why his overdraft has been reduced. He said this couldn't be anything to do with his circumstances, because First Direct had simply never asked what those were. I think First Direct has been clear that this is an automated review, and I don't think it's necessarily unfair for First Direct to have made this change to this overdraft limit without first speaking to Mr and Mrs M in person.

Mr M thought the reasons for the change might be to do with his age. He said if that wasn't the reason, he wanted to know what the reason was. When our service didn't set that out for him, he said it looked like our service had simply taken First Direct's word for it. He said that wasn't the purpose of our service, if we were just accepting what the bank said.

I don't think our service has just taken First Direct's word for it that this review didn't consider Mr or Mrs M's age. What our investigator did, was to ask First Direct exactly how it had reached its decision to reduce the overdraft on this account. And First Direct has told us, in some detail, how it reached its decision.

As Mr M may be aware from earlier correspondence he's received from our service, I would like to be able to share with him what First Direct has said, about how it carries out a review. I would like to do that, so that he can see that age isn't part of those decisions. And I have discussed this with First Direct. But First Direct has pointed out that the detailed information it has shared with our service is sensitive. It doesn't want that information, about how it reviews overdrafts, to be made public, even if that's only sharing it with Mr and Mrs M and outside of this published decision. That's because that information, if it were in the public domain, could allow customers to "game" the system, and circumvent First Direct's overdraft reviews.

Again, I don't think there's any suggestion that Mr and Mrs M themselves might do this, but having considered what First Direct has said about this, and the risks of putting sensitive information into the public domain, I do think that it has raised a real concern. It's the duty of our service to be fair to both sides, in resolving a complaint. It wouldn't be fair for me to share with Mr and Mrs M the detailed basis on which their overdraft has been reviewed, if that could well have wider ramifications for how First Direct manages its customer accounts.

I recognise that this response will fall short of what Mr M would like in this case, but all I am able to do here, whilst still being fair to both sides, is to reassure him that I have seen First Direct's explanation of the criteria it applies, to review overdrafts. Those criteria are consistent with the changes I can see on Mr and Mrs M's account. I don't think what First Direct is doing is unfair, and I'm satisfied that the ages of Mr M and Mrs M weren't a factor in First Direct's considerations.

I can see that Mr and Mrs M do make use of their overdraft facility from time to time, but the overdraft usage on this account in the last year doesn't suggest to me that the new limit is obviously unsuitable for them. And I note that, whilst First Direct has asked Mr and Mrs M to limit their overdraft use in future, it has also said that it will consider increasing the limit again, if Mr and Mrs M find it's not suitable for them.

I know that Mr and Mrs M will be disappointed by my decision, but I don't think that First Direct has been unfair or unreasonable in its actions here. And for that reason, I don't think that this complaint should be upheld.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M and Mr M to accept or reject my decision before 9 February 2024.

Esther Absalom-Gough
Ombudsman