

The complaint

Mr A is a sole trader, trading as A. He complains that HSBC UK Bank Plc (HSBC) unreasonably refused his application for a business loan.

What happened

Mr A opened a new business bank account with HSBC and around the same time, also applied for a business loan. Mr A says he wanted to borrow the money to expand his business in the local area. He was unhappy after HSBC rejected his loan application. Mr A doesn't think he had done anything to deserve the rejection and says he's well aware of his credit history.

HSBC told Mr A that it based its decision on the credit scoring that it carried out.

Our investigator didn't recommend that Mr A's complaint be upheld. He said that Mr A's loan application didn't meet HSBC's scoring criteria, so the investigator was satisfied that HSBC declined Mr A's application in line with its lending policy. Our investigator told Mr A that HSBC's credit scoring may be different to the one provided by the main credit reference agencies as HSBC will use different criteria such as employment details, income and expenditure and account history.

Our investigator went on to say that HSBC didn't have to give Mr A details about its lending criteria as this was commercially sensitive information which could affect how HSBC ran its business. However, our investigator was satisfied that Mr A didn't meet HSBC's affordability criteria.

Mr A is unhappy with the investigation outcome. He thinks HSBC has given unreasonable excuses and that its decision to decline his application is unfair.

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 appreciate Mr A's frustration with HSBC's decision to decline his loan application. But this was a commercial decision that HSBC was entitled to make. This service won't usually interfere in a businesses' commercial discretion. However, I can still consider whether HSBC made the decision fairly.

The Standards of Lending Practice says that HSBC should provide the primary reason why it decided not to lend. HSBC has done this when it told Mr A that his application didn't pass its internal credit scoring assessment.

After Mr A appealed HSBC's decision to lend, it took the time to review the decision and explain why it rejected his application. HSBC's records indicate that it told Mr A that it declined the application based on the information he gave, information it already held about him and information provided by the credit reference agencies.

The notes provided by HSBC indicate that in a telephone call with Mr A, it went further in its explanation for its decision. HSBC told Mr A that as he had only recently opened his business account with HSBC, it didn't have much information on which to base its assessment of his suitability for a loan. HSBC told Mr A that he hadn't provided a detailed breakdown of how he proposed to use the money. HSBC was also concerned about returned items on Mr A's personal account.

I'm satisfied that HSBC gave Mr A a reasonable explanation of its decision making process. I've seen nothing to indicate that HSBC's decision about Mr A's loan application was unfair. I can also see that HSBC signposted Mr A to alternative ways of securing funding. I think this was a fair way to respond.

Overall, I don't think HSBC has been unreasonable and I'm not asking it to take any further action. I'm sorry if this comes as a disappointment to Mr A.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 11 September 2023.

Gemma Bowen
Ombudsman