

The complaint

A company, which I'll refer to as H, complains that HSBC UK Bank Plc unfairly declined its applications for borrowing under the Recovery Loan Scheme (RLS).

What happened

In April 2021, H applied to HSBC for a loan under the RLS, which is a government-backed scheme to support access to finance for small and medium-sized businesses.

After a discussion between the bank and H's director, the company later withdrew its application.

In May 2022 and October 2022, H made further applications for an RLS loan. Both applications were declined by the bank at enquiry stage.

H complained that HSBC had unfairly turned down its applications.

Our investigator looked at the evidence and concluded that the bank hadn't acted unfairly. She said that under the RLS scheme, lenders are entitled to carry out affordability and credit checks. She said that HSBC had carried out basic affordability checks and decided there was no prospect of H's RLS application being accepted at credit stage.

H disagreed with the investigator's conclusions and asked for the case to be referred to 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 that, I've reached the same conclusions as the investigator, and for largely the same reasons.

Loan facilities backed by the RLS are provided at the discretion of the lender. In this particular respect they are like ordinary business lending – the bank is entitled to make its own assessment of the risks and to decide whether or not to offer lending.

Lenders are required under the RLS to undertake their standard credit checks. Furthermore, the scheme's eligibility criteria require that the borrower must not be a business in difficulty and that the borrower should have a viable business proposition.

I'm satisfied that HSBC's actions were in line with the requirements of the RLS. I also think the bank acted reasonably when assessing the risks, both to itself and to H. The bank looked at H's business accounts and concluded that the requested RLS borrowing wouldn't be affordable to the company, and there was therefore no point in progressing the applications any further.

I note that at the time, H was already having difficulty meeting its repayments on existing borrowing from HSBC.

For the above reasons, I don't find that HSBC acted unfairly or unreasonably when it declined to lend to H under the RLS scheme.

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 H to accept or reject my decision before 5 March 2024.

Colin Brown
Ombudsman