

The complaint

Mr H complains about the interest rate on a personal loan from HSBC UK Bank Plc (HSBC).

What happened

Mr H says he was offered a personal loan from HSBC at a rate of 6.7% APR. He applied for the loan and it was agreed on 17 November 2023 at a rate of 22.9% APR. The loan was accepted and drawdown on the same day – the amount borrowed was £15,000 and the loan outstanding was £24,251.37. Repayments were £404.19.

Mr H complained. He said he had applied for a loan at a rate of 6.7% and wasn't told it would be more than that. He thought the payments would be much less – based on the lower rate he thought he would get.

HSBC said that 6.7% APR was a 'representative rate'. All lending is subject to application and until the loan is assessed the bank can't say what the rate would be.

Based on the bank's assessment of Mr H's circumstances, they provided the loan at 22.9% APR. HSBC said Mr H was given details of the offered loan and its rate before he accepted the loan offer. And he then signed the loan agreement and the loan was drawdown.

Mr H brought his complaint to us and our investigator didn't uphold it. He said HSBC's promotion stated that the actual loan rate might be higher. The monthly payments were 'illustrative'. When going through the loan application process, the amount, rates and repayments were shown, as well as the total amount payable.

He was satisfied the information was presented to Mr H and was clear and not misleading.

He also noted that there was a 14-day cooling off period, during which Mr H could have cancelled the loan.

Mr H asked that an ombudsman look at his complaint and so it has come to me to make a final decision. **(continued)**

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.

Mr H complains that he was tempted into applying for a loan that he thought would be at a rate of 6.7% APR, but when the loan was agreed it was at a much higher rate – 22.9% APR.

I can see that HSBC's promotion did say that the loan could've been at the lower rate, and I considered the rules around what a bank can say about a 'promotional rate' when marketing personal loans.

HSBC are regulated by the Financial Conduct Authority (FCA) and must follow its rules on promotional lending rates.

The FCA's rules say: that for the promotional rate (in this case 6.7%), then at least 51% of the credit agreements entered into as a result of the promotion must be at that rate.

HSBC also must be clear and not misleading in how they communicated the loan offered to Mr H. He applied for the loan online and I looked at the screens he would've seen. These said:

"Our lowest rate XXX% APR representative...the rate we may offer could be higher than the advertised annual percentage rate (APR)....based on our assessment of your personal financial circumstances....." So – HSBC did say the rate could be higher than the one advertised.

Then, after the loan application, "your loan details" were shown. These quoted the new offered interest rate, repayments and total amount payable.

Mr H was then shown the loan agreement to sign. This also showed the loan amount (£15,000), total payable (£24,252.37), interest rate (22.9% APR) and repayments (£404.16 per month). Mr H signed the agreement online.

The loan agreement also showed that Mr H had a 14-day cooling off period – so he could've cancelled the loan then if he wasn't happy.

In response to our investigator's view, Mr H showed us an example of another offer from HSBC (dated April 2024) which he said as like the one he received before. I looked at this and it said *"the rate is subject to change and the representative APR may not be the rate you'll receive. We'll offer you a rate based on our assessment of your personal financial circumstances. The maximum APR you could be offered is 24.9%."* So here – HSBC were clearly saying the actual rate could be different. **(continued)**

Therefore, in summary:

- HSBC must follow the FCA's rules on promotional rates.
- HSBC's communications were clear and not misleading.
- Mr H signed the loan agreement which contained all the relevant information, including the interest rate and repayments.
- He could've cancelled the loan within 14 days but didn't.

For these reasons, while I accept that Mr H will be disappointed by my decision, I am not asking HSBC to do anything here.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 29 July 2024.

Martin Lord
Ombudsman