

## **complaint**

Mr B complains about the interest rate and early settlement figure that he paid on a loan he took with HSBC Bank plc.

## **background**

Mr B took a loan with HSBC over 60 months. He says that he had felt pressured to take the loan and had been led to understand that the interest rate on his loan would be around 3% a year. He was very unhappy to realise that he was actually being offered a loan at 15.9% a year.

Mr B repaid his loan early, and says that he was unfairly charged a penalty for early repayment. He says that it had not been made clear to him that this would happen if he repaid early.

HSBC said that Mr B's interest rate had been assessed for his individual application, and was made clear on the loan agreement. It also said that the early repayment figure had been calculated in the ordinary way, and simply reflected that more interest is payable during the earliest part of the term.

As things were not settled, Mr B brought his complaint to this service where an adjudicator investigated it. From the evidence, the adjudicator was satisfied that Mr B had been told what interest rate would be charged on his loan during his telephone application, in the confirmation letter sent to him after that, and when he signed for the loan in the branch.

The adjudicator noted that there had been a 14-day 'cooling off' period in which Mr B could change his mind about the loan, and was not persuaded that he had been pressured into taking it.

The adjudicator was also satisfied that the terms and conditions of the loan set out how HSBC would calculate early settlement figures, and that it had calculated Mr B's early settlement figure correctly. Overall, the adjudicator did not recommend that Mr B's complaint should succeed.

Mr B did not agree with the adjudicator's view. He said, in summary:

- He felt under pressure to sign for the loan in the branch, and was not given the terms and conditions.
- He had taken loans with HSBC in the past, but that fact is not relevant to this complaint.
- From his perspective, he has paid interest at over 40% for seven months, and this is not fair.

## **my findings**

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

HSBC has said that the interest rate for Mr B's loan was calculated by reference to his individual application. This was much higher than the example rates shown on the promotional advertising material, and I appreciate that Mr B felt unhappy that he did not receive an offer at a lower rate.

Mr B says that his credit score is very high, and so he should have warranted a much better interest rate than the one he was offered. But HSBC was entitled to assess what terms it was willing to offer Mr B and I am satisfied that it made the position entirely clear before Mr B committed himself to taking the loan. I find that HSBC did not mislead Mr B about the rate of interest he would be charged on his loan.

Mr B has told us that he felt pressured, in the branch, to take the loan. When Mr B went to the branch, HSBC had already told him the terms of the loan, over the phone and by letter. So Mr B went to the branch already knowing what he would have to pay for the loan. We have asked Mr B to explain what form the pressure took, but he has not given any specific response and has simply said that he felt pressured.

Having signed for the loan, Mr B did not have to go through with it – he had 14 days in which to consider the terms and conditions and change his mind if he wanted to. He did not do that. In all the circumstances, I find that Mr B was not pressured by HSBC to take the loan.

I find it more likely than not that Mr B was given the terms and conditions for the loan in the usual way. They explain, in plain language, how an early repayment settlement will be calculated. The method used by HSBC is one of the methods allowed under relevant consumer credit rules, and I am satisfied that it applied the calculation correctly in Mr B's case.

Like all loans repayable in instalments, there was more interest payable on Mr B's loan early in the term – when the balance is at its highest. Mr B repaid his loan after only seven months, which is why the balance was so high. I am not persuaded that HSBC has penalised Mr B in that regard.

### **my final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr B to accept or reject my decision before 9 July 2015.

Jane Hingston  
**ombudsman**