

HSBC UK Bank plc

Level 9
1 Centenary Square
Birmingham
United Kingdom
B1 1HQ

Web: [hsbc.co.uk](https://www.hsbc.co.uk)

19 May 2021

Dear Mr Stride,

Thank you for your letter dated 19 April 2021, regarding the business current account (BCA) market. I am replying in my role as HSBC UK Head of Small Business Banking.

HSBC UK is open for business and fully understands the critical role we have to play in supporting UK businesses as Covid-19 restrictions are removed and the economy recovers.

In answer to your specific questions, I will take each in turn and would be happy to provide any clarifications if needed.

1. Have you changed your criteria for opening new business current accounts since March 2020, or are you restricting access to the application process? What changes have you made?

We have not changed the criteria for opening BCAs and access is unrestricted.

When the Covid-19 lending schemes were launched, we were determined to do the right thing and support businesses beyond our existing customer base. We were one of a few major banks to remain open to new customers from the outset and experienced huge demand from new to bank customers as a result. We are proud to have approved more than £15bn in Covid related lending to British businesses since March 2020 and to have opened over 71,000 accounts for new customers, allowing vital access to the Bounce Back Loan Scheme (BBLs).

From 30 September 2020 to 1 February 2021, we did temporarily pause some, but not all, routes for small business banking account applications. This decision was not taken lightly and the FCA were notified at the time, however it was necessary to allow sufficient time for us to process the high number of existing account and BBLs applications in the queue before the scheme deadlines, which were subsequently extended. A waiting list was put in place for businesses to register their interest for our small business bank account and customers on this list were the first to be contacted when applications were restarted. During this time, our new digital proposition, HSBC Kinetic, a new mobile business banking service, remained available to 80% of our SME new to bank customers. We are delighted to have opened over 8,000 Kinetic accounts already.

2. Have customers or potential customers faced longer waits for opening new business current accounts since March 2020?

As one of the few major banks that remained open to new customers, the increased demand we experienced understandably led to periods during which customers experienced longer than usual opening times.

While it is regrettable that some customers experienced delays, I am proud of our staff who worked tirelessly in extremely challenging circumstances to provide businesses with vital access to various lending schemes. In the majority of instances, the wait time for new account applications are no longer experiencing delays.

We are always working hard to improve the customer experience and are making the biggest investment in our UK business in over ten years, including, customer experience and digital channels. HSBC Kinetic, which includes straight-through processing capability, can approve applications in 15-20 minutes in some instances.

3. What processes are in place for customers to complain that they have not been treated fairly with regard to opening business accounts?

Through our actions and behaviour, we aim to deliver fair outcomes for all our customers and we are a signatory to the Standards of Lending Practice for business customers. We maintain an accessible complaints process which can be accessed by telephone and online.

Help and support can be found on our public website, with a clearly signposted link to an online complaints form should customers wish to make a complaint. In a small number of cases where an account application is declined, customers are signposted to where they can make a complaint in correspondence.

Further details can be found on our public website here - <https://www.hsbc.co.uk/help/feedback-and-complaints/>.

4. Have you received more complaints than normal since March 2020 about customers or potential customers failing to open bank accounts?

We strive to provide the highest levels of customer service; however, we understand that we will not always get things right. We take all complaints extremely seriously and each one is fully investigated before an appropriate response is issued.

As one of the few major banks to support businesses beyond our existing customer base from the outset, we saw massive demand. To put the scale of this challenge in context, between March 2020 and February 2021 we opened more than 71,000 new customer accounts. Each of these new customer accounts required us to carry out our standard Know Your Customer (KYC), Anti-Money Laundering (AML), credit and fraud checks before they can be on-boarded as an HSBC customer.

Following the launch of the Bounce Back Loan Scheme in May, we experienced a sustained surge in new account openings from June-October 2020. This peaked in July with almost 12,000 new customer accounts opened, an increase of 64% on the year before. During this period of high demand, we opened almost 42% more new customer accounts compared to the same period in 2019, helping provide businesses vital access to government lending schemes.

It took a huge effort to stand up the new schemes and meet the significant increased client demand while also dealing with the operational disruption caused by the lockdowns on our own businesses, including many colleagues having to self-isolate. As a result, between March 2020 and February 2021 the number of complaints related to the length of time or delayed, declined or incorrectly processed applications doubled. We diverted resources to ensure we dealt with the complaints as quickly as we could and complaint numbers have now returned to pre-pandemic levels. We are also clear in our customer correspondence to signpost that they have the right to escalate complaints to the Financial

Ombudsman Service, or newly established BBRS if appropriate, subject to applicable eligibility thresholds and time limits.

5. Are you withdrawing or planning to withdraw from the SME market?

We are not withdrawing from the SME market, we remain fully committed to supporting UK businesses and, as mentioned, are making the biggest investment in our UK business in over ten years. As the successful vaccine rollout continues and we face into the recovery, now is the time to turn our minds to what comes next and how we help companies to innovate, thrive and grow.

In addition to our new digital proposition, HSBC Kinetic, we launched a record £15 billion SME fund in March 2021, part of our commitment to supporting the ambitions of local businesses across the UK and the development of regional economies. The fund, which comprises over £10 billion of specific regionally focussed allocations, also includes ring-fenced pots for exporters (£2 billion), the agriculture sector (£1.2 billion), the tech sector (£500m) and franchise businesses (£500m).

We also think the Recovery Loan Scheme (RLS) can play a key role in supporting our customers and the wider UK business community as we recover from the Covid-19 crisis. The scheme is open to new and existing HSBC customers subject to full customer on-boarding due diligence procedures and scheme eligibility criteria.

Our interest rate pricing for the RLS takes into account the existence of a guarantee from the UK Government and are fair, clear and transparent. For instance, for loans between £25,001 and £299,999 interest rates will be 4.49% for loans up to and including 3 years and 4.99% for all loans over 3 years. In addition, no personal guarantees are required for lending up to £299,999. Further details can be found in full on our website¹.

6. How do you ensure that you are living up to your commitments under the SME Finance Charter?

We remain committed to supporting British businesses realise their ambitions and we continue to strive to meet our commitments under the SME Finance Charter.

From our decision to remain open to new to bank customers at the launch of the Bounce Back Loan Scheme to the launch of our £15 billion SME fund, the message is clear: HSBC UK is open for business and ready to lend.

Our Tomorrow Ready Hub2 and associated events aim to prepare our customers for new a trading environment. Businesses across the UK are having to change the way they operate and the Tomorrow Ready programme is designed to help them adapt and prepare for the future.

We continue to approve the vast majority of lending applications, have an accessible Guide to Borrowing³ to help customers understand how financial services can best support their business as well as the application process. Where we are unable to support we direct customers to alternatives through the Bank Referral Scheme.

Despite the challenging economic environment, 62% of UK businesses intend to increase investment in their business in the next year according to research from HSBC. We know our customers who are innovating and adapting at pace need their bank to be flexible, provide funding when they need it

¹ <https://www.business.hsbc.uk/en-gb/finance-and-borrowing/credit-and-lending/recovery-loan-scheme>

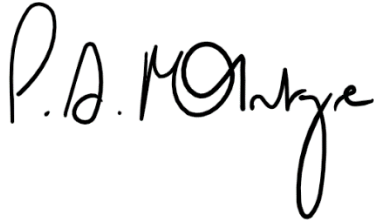
² <https://www.business.hsbc.uk/en-gb/tomorrow-ready-programme>

³ <https://www.business.hsbc.uk/en-gb/guide-to-business-borrowing>

most and to support future growth opportunities. As the UK emerges from lockdown, we are well positioned to put that financial strength to use to aid the UK's and our customers' recovery.

Thank you for taking the time to raise these important issues with me.

Yours sincerely

A handwritten signature in black ink, reading "P.A. McIntyre". The signature is written in a cursive style, with the first letters of each word being capitalized and prominent.

Peter McIntyre

Head of Small Business Banking UK