

HSBC Risks Losing the Graduate Pound

News Story

When I left university - albeit some years ago - it was vital that I got as big an interest-free overdraft as I could, and for as long as possible, to give me time to pay off the debts I had racked up during my student years.

So it came as a surprise to me last week to read the details of the new graduate package from HSBC, and find that this crucial element has disappeared.

From the end of the summer, graduate borrowing will attract a flat rate of 9.9 per cent - a move that will come as a blow to many people who are set to start their working lives already saddled with thousands of pounds of student debt.

The alternative is to opt for HSBC's Graduate Plus Service, which offers a tiered interest-free overdraft that drops from £1,500 in the first year to £500 in the third. But go for this and you'll have to pay a monthly subscription of £9.95.

HSBC is quick to point out that this account offers a "range of benefits", including discounts on mortgages and free worldwide travel insurance.

However, new graduates may already be financially stretched - with every pound having to go towards other commitments as they start their working lives.

It strikes me as a rather unorthodox move by HSBC at a time when current account providers are crawling over one another in a bid to lure the next generation of graduate customers.

After all, this group has long been regarded as low-risk debtors but potentially high earners - who will go on to buy expensive mortgages, loans and insurance policies. Given the number of competitive deals on offer from rivals, one can only wonder why HSBC has done this.

The bank admits it is doing "something completely different" but insists it is a "responsible lender".

"We are keen to help graduates come to terms with their debts and establish a cost associated with borrowing - sooner rather than later," says a spokes- woman. "We want to encourage graduates to disassociate their student and graduate borrowing - we see this as a transitional account."

HSBC's move is commendable insofar as it is trying to help customers structure their borrowings and work out a simple way of dealing with what they owe.

But I just don't think this is the right way of going about it, as it's going to hit vulnerable, cash-strapped graduates at a time when they need to focus on paying down their debts gradually as they settle into working life.

And I'm pretty sure most graduates aren't going to see the value of understanding the "cost associated with borrowing" when there are plenty of other interest-free deals on offer elsewhere.