

## The complaint

Ms S complains that HSBC UK Bank Plc (HSBC) lent to her irresponsibly.

## What happened

Ms S had several debt facilities with HSBC.

Type	Date	Amount	Period	Repaid
Loan 1	April 2018	£2,000	36 months	April 2019 by loan 2
Loan 2	April 2019	£2,530	24 months	April 2019 by loan 3
Loan 3	April 2019	£12,010	44 months	Outstanding - £11,191
Flexiloan (revolving)	Loan	£1500	None - revolving	Repaid by interest refund
Overdraft		£4,950		Repaid by interest refund

Loan 2 was given to repay loan 1 – and loan 3 was agreed to repay loan 2 and to consolidate debts. It was approved online.

Ms S complained that HSBC had lent to her irresponsibly. HSBC's checks couldn't have been sufficient. She now couldn't afford to repay loan 3 and – even after the interest refunds. She wanted to agree a long-term repayment plan and for her credit file to be amended to remove adverse credit information. And that any payment plan shouldn't appear on her credit file. She said HSBC should write off some of the balance.

HSBC admitted they could've done more to support Ms S. And although they didn't accept full responsibility, they refunded interest of £7,785.99. This repaid the Flexiloan balance of £1,500 debit and overdraft of £4,950. They didn't agree that Ms S's credit file should be changed. And – any repayment plan would likely have to be noted on her credit file also. They paid compensation of £200.

Ms S brought her complaint to this service. Our investigator didn't think HSBC should write off any of the balance as Ms S had had the use of the money – she should pay the debt back. He agreed that HSBC should remove adverse information on her credit file – up to this point. HSBC should agree a payment plan with Ms S, but if appropriate, this should be noted on her credit file.

Ms S asked that her complaint be looked at by 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.

All lenders have an obligation to lend money responsibly. We have to check whether HSBC acted in line within the Financial Conduct's (FCA) rules on creditworthiness assessment as set out in its handbook, (CONC) section 5.2. These say that a firm must undertake a reasonable assessment of creditworthiness, considering both the risk to it of the customer not making the repayments, as well as the risk to the customer of not being able to make repayments. We look at:

- Whether the lender completed reasonable and proportionate checks to satisfy itself that the borrower would be able to repay any credit in a sustainable way?
- If reasonable and proportionate checks were completed, did the lender make a fair lending decision made bearing in mind the information gathered and what the lender knew about the borrower's circumstances.

HSBC admitted that their checks weren't enough in Ms S's case. I can see that her salary was said to be approximately £20,000 per annum gross. Her monthly net take home salary was £1,400 and her outgoings £1,839. The loan of £12,010 was approved automatically online – so HSBC told us nothing more was needed to approve the loan. Ms S's account turnover was more than her salary because of a lot of transfers in and out of it – so this may have affected the approval. This was a large personal loan by comparison with her previous loans. But - there were no additional checks made by HSBC. I can't see that HSBC followed through to see which debts were repaid by the consolidation loan. So, it's clear that – even though this was approved automatically online, HSBC should've stepped in and asked more questions to understand Ms S's circumstances. But they didn't.

Against that however, HSBC have already refunded £7,785 in interest on the loans made – so that's good. But, Ms S is still left with a debt of £11,191 and she says she can't afford to make the repayments of £381.03 per month. There are already arrears. She says HSBC won't agree a payment plan and if they do – her credit file will be marked.

To me, it's clear the lending by HSBC was irresponsible and should've been subjected to further checks, so Ms S should be put back in the position she was in before the loan was agreed. So – I agree that her credit file should be amended to remove all adverse entries up to the date of this decision.

I've considered whether HSBC should write off some of the loan. But – Ms S had had the use of the capital amount lent – whether it was to repay the HSBC debts, or other her debts. So – I don't agree that HSBC should write off any of the debt. Ms S should remain responsible for it.

It follows that it's reasonable that HSBC should now agree a mutually agreeable repayment plan for the remaining debt. Ms S says she's in financial difficulty – but I've not seen any details of this, and it's for Ms S to put this information to HSBC. And, because I think that Ms

S should be responsible for the repayment of her debt, it's also only fair that such a payment arrangement can be noted on Ms S's credit file.

So – I am upholding this complaint to the extent that previous entries relating to HSBC's prior lending should be removed. And HSBC and Ms S should now agree a payment plan.

But – I do not agree that any part of Ms S's debt should be forgiven, nor that any repayment plan shouldn't be noted on Ms S' credit file. I note that Ms S will be disappointed by these aspects of my decision, but I think that this is a fair and reasonable outcome for both her and HSBC.

### **Putting things right**

- HSBC must remove any adverse entries on Ms S's credit file up to the date of this decision.
- HSBC and Ms S should agree a mutually agreeable payment plan. HSBC may note this on Ms S's credit file.

### **My final decision**

I uphold this complaint. HSBC UK Bank Plc must:

- Remove any adverse entries on Ms S's credit file up to the date of this decision.
- HSBC and Ms S should agree a mutually agreeable payment plan. HSBC may note this on Ms S's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 8 June 2021.

Martin Lord  
**Ombudsman**