

## **Complaint**

Mr P has complained that HSBC UK Bank Plc (“HSBC”) irresponsibly provided him with an overdraft which it then increased the limit for.

## **Background**

One of our adjudicators looked at this complaint and thought HSBC shouldn't have increased Mr P's overdraft in March 2016 as it ought to have realised that he couldn't sustainably repay the additional funds advanced. Despite asking for and having eventually been provided with additional time to respond, HSBC didn't provide a substantive response to our adjudicator's view. So the complaint was passed to an ombudsman for a final decision.

## **My findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

We've set out our general approach to complaints about unaffordable/irresponsible lending - including the key rules, guidance and good industry practice - on our website. And I've referred to this when deciding Mr P's complaint.

HSBC needed to make sure that it didn't lend irresponsibly. In practice, what this means is HSBC needed to carry out proportionate checks to be able to understand whether Mr P would be able to repay what he was being lent before providing any credit to him. Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

In my view, HSBC appears to have placed limited weight on Mr P's account conduct in the period leading up to the March 2016 overdraft limit increase. I say this because Mr P's limit was increased to an amount which exceeded his monthly salary even though he was moving further and further away from reaching a credit balance and had clearly demonstrated an inability to remain within his previous limit increases.

In these circumstances, HSBC ought reasonably to have concluded that Mr P was unlikely to be able to repay what he owed without borrowing further or experiencing financial difficulty. I've seen what HSBC has said about Mr P reducing his limit further down the line. But this was a result of him borrowing further and this clearly isn't indicative of him being able to sustainably repay what he owed.

As this is the case, I think that HSBC treated Mr P unfairly when it increased his overdraft limit in March 2016. Mr P has paid or is being expected to pay additional interest and charges on credit he shouldn't have been provided with in the first place. So I think that he lost out because of what HSBC did wrong and that it needs to put things right.

### **Fair compensation – what HSBC needs to do to put things right for Mr P**

Having thought about everything, I think that it would be fair and reasonable in all the circumstances of Mr P's complaint for HSBC to put things right by:

- Rework Mr P's overdraft balance to ensure that all additional interest, fees and charges as a result of the limit increases from March 2016 onwards are removed. In other words, HSBC should rework Mr P's account balance to ensure that interest is only ever charged on the first £700 of any overdraft balance from March 2016 onwards; and

AND

- If an outstanding balance remains on Mr P's account once these adjustments have been made HSBC should contact Mr P to arrange a suitable repayment plan for this. If it considers it appropriate to record negative information on Mr P's credit file, it should backdate this to March 2016.

OR

- If the effect of removing all interest, fees and charges results in there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Mr P along with 8% simple interest† on the overpayments from the date they were made (if they were) until the date of settlement. If no outstanding balance remains after all adjustments have been made, then HSBC should remove any adverse information from Mr P's credit file.

† HM Revenue & Customs requires HSBC to take off tax from this interest. HSBC must give Mr P a certificate showing how much tax it has taken off if he asks for one.

### **My final decision**

For the reasons I've explained, upholding Mr P's complaint. HSBC UK Bank Plc should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 1 December 2021.

Jeshen Narayanan  
**Ombudsman**