

## Complaint

Miss S has complained that HSBC UK Bank Plc (“HSBC”) irresponsibly provided her with an overdraft and a credit card.

## Background

Miss S has also complained about having been provided with a personal loan. But we’ve already explained that we’re looking at that complaint separately.

HSBC provided Miss S with an overdraft with an agreed limit of £2,000.00 and a credit card with a limit of £1,500.00 in November 2019. In October 2020, Miss S complained that HSBC irresponsibly lent to her. HSBC didn’t think that it had done anything wrong and so didn’t uphold Miss S’ complaint. Miss S remained dissatisfied and referred his complaint to our service.

One of our investigators looked at this complaint and thought that HSBC shouldn’t have provided the overdraft or the credit card. HSBC didn’t agree with our investigator and so the complaint was passed to an ombudsman for review.

## 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 Miss 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 Miss S 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. I’ve kept this all in mind when having looked at Miss S’ complaint and having done so I’m upholding it.

I know that there has been some discussion about the address history information Miss S provided HSBC with at the time of her applications and that HSBC appears to have placed significant weight on the third party data it received as a result. However, I’m mindful that

irrespective of any address information HSBC obtained from Miss S, its records nonetheless suggest that it refused to provide a current account with any lending facilities in 2018.

HSBC refused to provide Miss S with a fully functioning current account at this stage because the information it obtained showed that Miss S had county court judgements and a significant amount of existing external debt. And so HSBC was only prepared to offer Miss S a basic account. I acknowledge that there's an argument for saying that this in itself was concerning and given the relatively short period of time until these applications enough to say that they should have been declined. But even if these applications shouldn't have been automatically declined, I do think that the information HSBC already had about Miss S required extra care to be taken here.

And I think that if more care had been taken here, HSBC would have discovered that Miss S was already in a cycle of unsustainable debt. She owed significant amounts to mainstream, high-cost and payday lenders. Miss S was even in debt to friends and family too. Further enquiries would also have shown that the reason Miss S was in so much debt was because she was gambling excessive amounts that she simply couldn't afford. In these circumstances, it ought to have been apparent that Miss S was in no position to repay what she owed, let alone take repay any further borrowing without borrowing further or suffering significant adverse consequences.

Bearing this in mind, I'm satisfied that HSBC shouldn't have provided Miss S with an overdraft or credit card in November 2019. In reaching my conclusions, I've taken into account what HSBC has said about Miss S' failure to provide all of her address history and not wanting to exclude her from accessing mainstream credit. But notwithstanding any issues with Miss S' address history, I'm satisfied that Miss S' previous application history with HSBC was enough to warrant further enquiries here. And these enquires would more likely than not have shown that Miss S was in no position to repay any further credit, no matter who the lender was. And that HSBC shouldn't have lent to her.

So I'm satisfied that HSBC's decision to provide Miss S with a substantial amount of additional credit in the circumstances it did meant that it increased Miss S' indebtedness in a way that it ought to have realised was unsustainable or otherwise harmful.

As this is the case, I think that HSBC treated Miss S unfairly. Miss S is being expected to pay additional interest and charges on credit she shouldn't have been provided with in the first place. So I'm satisfied that she 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 Miss S**

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

- Reworking Miss S' overdraft and credit card balances to ensure that all interest, fees and charges are removed; and

AND

- If an outstanding balance remains on the overdraft or credit card once these adjustments have been made HSBC should contact Miss S to arrange a suitable repayment plan, Miss S is encouraged to get in contact with and cooperate with HSBC to reach a suitable agreement for this. If it considers it appropriate to record negative information on Miss S' credit file, it should backdate this to November 2017.

OR

- If the effect of removing all interest, fees and charges results in there no longer being an outstanding balance on Miss S' overdraft or credit card, then any extra should be treated as overpayments and returned to Miss S 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 Miss S' credit file.

AND

- contacting Miss S and notifying her who has ownership of her account(s) in the event an outstanding balance, or balances, remain and HSBC has sold the balance(s) on to a third-party;

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

I'd also remind HSBC of its obligation to exercise forbearance should outstanding balances remain after all adjustments have been made to Miss S' accounts and it's the case that she is experiencing financial difficulty.

### **My final decision**

For the reasons I've explained, I'm upholding Miss 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 Miss S to accept or reject my decision before 28 February 2022.

Jeshen Narayanan  
**Ombudsman**