

The complaint

Miss N complains that HSBC UK Bank Plc (HSBC) irresponsibly granted her credit that she couldn't afford to pay.

What happened

HSBC approved a credit card application for Miss N in December 2019. It provided an initial credit limit of £1500. This was increased to £5000 in September 2020.

Miss N says HSBC was wrong to provide credit as it wasn't affordable for her.

HSBC disagrees. It says when it approved the credit card application, it carried out checks on Miss N's financial circumstances and based on these, it was happy to approve the application. And when HSBC increased the credit limit, it said it reviewed the information it had obtained about Miss N and had found the credit affordable.

Our investigator thought HSBC had carried out proportionate checks and that the lending decision was fair.

Miss N didn't agree so I've been asked to make a final decision.

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.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website. I've had this approach in mind in considering what's fair and reasonable here.

Account opening

HSBC hasn't said exactly what checks it carried out before approving the account, but it has said that it took into account information provided by Miss N, and information obtained from the credit reference agencies. HSBC has said that Miss N stated that she had income of £28,000 at the time of the application.

I think it would be been proportionate for HSBC to have verified Miss N's income before approving the application. I haven't seen anything from HSBC to suggest that it did so. I've gone on to consider whether the information obtained by HSBC showed that Miss N could sustainably afford the credit. The initial credit limit of £1500 would've required sustainable repayments of £75 per month if the full credit limit had been utilised.

I've looked at Miss N's bank statements for the 3 months leading up to the account opening. This shows that Miss N's average monthly income was £2000. There's nothing in the bank statements to suggest that the credit wasn't affordable for Miss N, or that she wouldn't be able to sustainably repay the credit.

As I've said, I think it would've been proportionate for HSBC to have verified Miss N's income and financial circumstances. If HSBC had looked at the bank statements, I think it would've reached the same conclusion that the credit was affordable for Miss N. Because of this, I don't think HSBC acted irresponsibly when it approved the application and opened the account.

Credit limit increase

Because the credit limit increase was significant, I think it would've been proportionate if, in addition to the checks it carried out, HSBC had carried out further checks to find out more about Miss N's income and expenditure, including other credit commitments.

With this in mind, I've looked at Miss N's credit limit increase application. She stated that her income was £32,000. I've also looked at her bank statements. Miss N's monthly income varied. In July 2020 it was around £2600 and in August 2020 it was around £1800. There are transfers in from another account which increased Miss N's income at this time.

The bank statements show that Miss N was making regular payments for utility bills and to other card providers. But there's nothing in the bank statements to suggest that the increased credit limit wasn't affordable, or that Miss N wasn't able to sustainably repay the credit. Had HSBC looked at this information, I think it would've reached the conclusion that the credit limit increase was affordable for Miss N. Therefore, I don't think HSBC acted irresponsibly when it approved Miss N's application to increase the credit limit.

For completeness, I've also looked at Miss N's credit report. This shows that she had other credit accounts, and that these were being managed well with no adverse information, no defaults and no CCJ's. There's nothing in the credit report to suggest that Miss N wouldn't have been able to sustainably repay the credit. Had HSBC looked at this information, I think it would've concluded that the increased credit limit was affordable.

Taking everything into account, I don't think HSBC lent to Miss N irresponsibly.

My final decision

For the reasons I've given, I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss N to accept or reject my decision before 28 November 2022.

Emma Davy
Ombudsman