

## **The complaint**

Mr P complains that HSBC UK Bank Plc have irresponsibly lent to him.

Mr P is represented by his father in law in bringing this complaint. But for ease of reading, I'll refer to any submission and comments he has made as being made by Mr P himself.

## **What happened**

Mr P says that on 15 March 2021, he successfully applied for an unsecured loan with HSBC for £4,500. On 17 March he successfully applied for a top up for the loan for £1,000. The following day he successfully applied for another top up for the loan for £3,000. So he was approved for £8,500 in total over the space of four days.

Mr P applied for another HSBC loan on 20 March 2021. The application was approved for £12,000. Mr P complained that HSBC irresponsibly lent to him as this was the fourth loan that HSBC approved for him over a six day period. He asked HSBC to write off the £12,000 loan and the accrued interest.

HSBC did not uphold Mr P's complaint. They said that Mr P was approved for the personal loans he applied online for, subject to a credit search and the information provided in his application. They said it was ultimately Mr P's decision to apply for the amount of lending he applied for in a short period of time. They also noted Mr P's regular salary which was credited into his HSBC current account. Mr P brought his complaint to our service. He said he was using the money to gamble and HSBC should've seen there was an excessive amount of transactions from his account to a third party current account he held which he would gamble from.

Our investigator did not uphold Mr P's complaint. She said that she considered whether HSBC's decision would've been any different if, instead of applying for the two top-up loans, Mr P applied for a larger loan initially of £8,500. But she still thought that HSBC would've granted him this loan, based on the checks they completed at the time. She said that there wasn't any evidence from the business' own records, the external checks they completed – and Mr P's credit report that the loan would've been unaffordable for Mr P as he had £7,850 in a savings account before any lending decisions took place.

Our investigator said Mr P would've been left with roughly £1,600 per month disposable income, after making his monthly loan repayments, credit card repayments, rent and car insurance payments. So she thought both the loans were affordable for Mr P. She said that while she agreed that there were excessive amounts of transactions on Mr P's bank account, and the timing of the transfers is outside of the norm, HSBC couldn't reasonably have known Mr P was transferring money to his third party account for online gambling.

Mr P asked for an Ombudsman to review the complaint. He made a number of points. In summary, he said that the £12,000 loan he applied for should have been declined because of not only the number of times he sought to increase his borrowings during 15-20 March 2021, but also the evidence of his outgoings on the same dates on his HSBC bank statements. He said there were a total of 75 transactions on his HSBC current account to his

third party current account for sums between £30-£300 while at the same time he had been approved for two top ups and a loan for £12,000.

Mr P said this should've been spotted by HSBC prior to his application on 20 March and they should've asked him what the payments were for, especially as they had lent him a total of £8,500 over the previous week for wedding expenses. He says this should have been clear that the activity indicated online gaming and his third party current account statements show this is the case.

As my findings differed in some respects from our investigator's, I issued a provisional decision to give both parties the opportunity to consider things further. This is set out below:

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

*Mr P has made a number of points to this service and I've considered and read everything he's said and sent us. But, in line with this service's role as a quick and informal body I'll be focusing on the crux of his complaint in deciding what's fair and reasonable here.*

*Before agreeing to approve the credit to Mr P, HSBC needed to make proportionate checks to determine whether the credit was affordable and sustainable for him. There's no prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include - but are not limited to: the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances. I've listed below what checks HSBC have done and whether I'm persuaded these checks were proportionate.*

*HSBC said that Mr P's applications showed a gross annual salary of £43,000, he had a fixed cost of £50 a month for rent and £95 for car insurance and he was living with parents. They said they looked at the application data as well as gathering external data from credit reference agencies and any information they held on existing accounts with them. Mr P provided us with his credit file. From this information I can see he had a credit limit on a credit card elsewhere of £750. But the credit file also shows he defaulted on a credit agreement in 2018, but this debt was satisfied in 2019.*

*It may help to explain here that, while information like a default on someone's credit file may often mean they're not granted further credit – they don't automatically mean that a lender won't offer borrowing. Here, HSBC considered the information that Mr P had on his credit history and still made a decision to lend which, in the circumstances, I think was reasonable.*

*I say this because this information is not all that HSBC had access to. Mr P had a bank account with HSBC which his wages were being paid into. He also had a savings account with them. So HSBC would have a lot of information to consider whether the loans would be affordable and sustainable at the time of Mr P's applications.*

*They would have been able to see that on average, Mr P had a net income of approximately £2,750 a month (based on 1 December 2020-28 February 2021 average employment income crediting Mr P's account). This would be consistent with the income Mr P declared on his application. So it appears HSBC carried out sufficient checks on his income. And they would have also seen that Mr P saved a lot of this money.*

*Mr P's savings account shows that on 1 September 2020, just over six months prior to applying for the loans, he had a savings balance of £5,710 in a savings account with HSBC. By 1 October, he increased this amount by £1,190. The following month he saved an extra £1,280. Between 1 October-1 November, he increased his savings by £1,194 and then by*

£1,424 between 1 December and 1 January. The following month was an increase of £141 and in the month before Mr P applied for his loans he increased the savings balance by £666 to £11,607.

So it would appear as if Mr P would have the disposable monthly income to pay the monthly repayment for all of the loans he applied for with HSBC. I say this as he had often been paying more than the total of the loan monthly repayments ( $£460.56 + £568.14 = £1,028.70$ ) into his savings account each month. And all of the previous seven months there had been an increase in the previous balance.

I've also considered that during March 2021, Mr P has made several transactions out of this account. And his balance has fluctuated a lot. While the balance at 1 March 2021 was £11,602.40 and at the time of the first loan application his balance had reduced to £7,850 at the beginning of 15 March, he had transferred this money to his HSBC current account. From here, it appears that as Mr P has noted, he made multiple transfers to a third party account.

But I'm not persuaded that this should have concerned HSBC. I say this as it would not be unusual for a customer to have an external account with a third party bank which they may transfer money across to. There could be a number of reasons why a customer may make several transactions in a short period of time for varying amounts. So I'm not persuaded that it would have been proportionate for HSBC to contact Mr P based on the number of transactions which left his account. I say this as the purpose of the first loan was for "annual commitments" (on the HSBC application), which Mr P told us this was for a wedding, so customers may purchase items on one card and transfer the money across for that purchase from a different bank.

From Mr P's own current account, apart from occasional lottery transactions, there does not appear to be any payments to online gaming companies. So it would not be reasonable for HSBC to assume that's what he was spending the loan money on, or why he was transferring out of his account so frequently, especially as the value of some of these transactions were up to £300 at a time.

Mr P also appeared to have a healthy disposable income. Even after the outgoings on his application and all of the monthly loan repayments were taken into account, he still had several hundreds of pounds which weren't committed to fixed outgoings. HSBC had completed an affordability assessment which used a combination of what Mr P told them he had for expenses and modelling. So for example, while Mr P told HSBC on his application that he had £50 a month for rent, HSBC estimated Mr P would pay £400 a month for a property payment. The affordability assessment HSBC completed showed that Mr P would have £506 disposable income each month after he had paid his fixed outgoings (including his external credit card) and the loan repayments for the loans he took out with HSBC. But they also had access to see his actual outgoings on his HSBC current account.

I've considered the close proximity of the loans that Mr P has taken out including the top ups. I've noted the strength of feeling that Mr P has that this should have concerned HSBC, and I agree that this should have concerned them. But I'm not persuaded that HSBC should have declined Mr P's second loan (or the top ups to the original loan) based on the close proximity of the loans and I'll explain why.

It would not be uncommon for someone to take out a loan and then realise that they hadn't borrowed enough to meet the purpose of the loan. Mr P has said that the £8,500 was for wedding expenses. So if this is what Mr P would have told HSBC the loans were for, then it would not be unusual for wedding expenses to increase within a short period of time as people take into account different planning stages of a wedding.

*The purpose of the second loan (£12,000) was recorded as being for a motor vehicle. So this would appear to be unrelated to the original loan and the top ups for the original loan of “annual commitments”. £12,000 for a motor vehicle would not seem to be unrealistic and I’m not persuaded that this should have prompted HSBC to think that this money would be used for another reason – even if Mr P had taken the original loan and topped it up twice within a number of days. So I’m persuaded that HSBC gave consideration to the first loan and top ups, and they were able to see how Mr P was managing his accounts with themselves, which he still had a large amount of savings relative to the loan he was applying for and apparent disposable income (based on what I’ve previously said) and that is why they approved the second loan of £12,000.*

*I’ve also considered that the total amount of the loans which HSBC approved within the six day period was £20,500. I’m not persuaded that the total amount would have appeared unreasonable for the purposes Mr P said he was using the money for, and HSBC’s website shows that a customer could be approved for a loan up to £25,000 on their website.*

*I’ve also considered that Mr P tried to apply for other loans with HSBC after the £12,000 loan. I can see that on 23 March 2021, he tried to increase the £8,500 loan to £14,500. And on 25 March, he tried to increase the £12,000 loan to £18,500. But HSBC declined the applications. I’m persuaded that this shows that HSBC were taking a further look at his finances. I say this as they deemed the existing total HSBC borrowing of £20,500 affordable for Mr P, but when he attempted to increase his borrowings they did not feel he had the affordability to do so and were conscious of the multiple applications, so they declined these attempts to obtain more borrowing. They also declined his application to increase his overdraft to £2,500.*

*I’m sorry to hear about the financial difficulty which Mr P has found himself in. But for the reasons I’ve already given, I’m not persuaded that HSBC could have anticipated he would have used the loan funds for a purpose other than what he told them based on the healthy disposable income he had at the time of all of the approved applications, no apparent signs of financial difficulties at the time of his applications, the amount he had been able to save prior to being accepted for the initial loan and how he generally managed his accounts with HSBC. So it follows I don’t intend to ask HSBC to do anything further.”*

I invited both parties to let me have any further submissions before I reached a final decision. HSBC responded to the provisional decision and they said there was nothing further they wanted to add to the provisional decision. Mr P accepted the provisional 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.

As neither party have provided me with any further information to consider, then my decision and reasoning remains the same as in my provisional decision.

### **My final decision**

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 2 November 2022.

Gregory Sloanes  
**Ombudsman**