

The complaint

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

What happened

Mr K applied for a personal loan with HSBC in May 2016. The loan was for £20,000 repayable over a term of 60 months at £391.42 per month.

Mr K complained to HSBC about its decision to provide him with the loan. He said it was clear from his account usage at the time that the loan wasn't affordable, and that there were gambling transactions on his account.

HSBC said the loan was applied for online and the checks carried out were automated. It said that Mr K met the lending criteria and his application was successful. It didn't agree that it had lent irresponsibly.

Our adjudicator looked at Mr K's complaint and didn't think HSBC had done anything wrong. He reviewed the checks carried out when the loan was taken out and didn't think these demonstrated anything to suggest that the loan was going to be unsustainable for Mr K.

Our adjudicator reviewed Mr K's bank statements for the months preceding the application. Overall, he didn't think that HSBC lent to Mr K irresponsibly.

Mr K 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.

I've decided not to uphold this complaint for the same reasons as the adjudicator. I know this will be disappointing for Mr K, but I'll explain why I've reached this decision.

This service has an established approach to irresponsible /unaffordable lending complaints which can be found on our website. I've followed this approach when considering Mr K's complaint.

HSBC was required to carry out reasonable and proportionate checks to determine whether Mr K could afford to repay the loan in a sustainable way. These checks need to be borrower focussed, so giving consideration to whether making repayments in a sustainable way could result in difficulties for Mr K.

There's no set list of checks, but they could take into account a number of things such as how much was being lent, the repayment amount, Mr K's borrowing history and his income and expenditure.

HSBC feels that the checks it carried out were reasonable and proportionate and that from these, it appeared that the loan was affordable for Mr K.

I've thought about whether the checks carried out by HSBC were reasonable and proportionate based on the size of the loan and its duration. Mr K was looking to borrow a relatively large amount over 5 years, so it was a significant commitment.

HSBC relied on its automated checks to determine whether it was prepared to lend to Mr K. It also used credit score information. Based on the size of the loan and the term of the borrowing and taking into account the benefit of a set monthly payment, I think the checks carried out were reasonable and proportionate.

Mr K points out that his spending behaviour prior to the loan application being made should be seen as a flag to the loan not being affordable. He feels that it was clear that he was spending more than his income. As I've said, the checks were automated with the loan being taken out online, and I think these checks were reasonable. But for completeness, I've considered whether further checks would've shown that the loan wasn't affordable.

I don't know what checks HSBC might have done if it had decided to carry out further checks, but as it had access to Mr K's bank statements, I think it's reasonable to assume that it would've reviewed those. But I think that if HSBC had reviewed Mr K's statements, it would've concluded that the loan was affordable for Mr K.

There are some gambling transactions on Mr K's account. But the value of these compared to the overall available expenditure was small. I understand that Mr K has said that he used some of the loan for the purposes of gambling and I acknowledge his honesty about this, but I don't think HSBC would've been aware of this at the time.

Overall, taking into account the credit check information, I don't think there is anything to indicate that HSBC should've carried out further checks. If it had carried out further checks I think the information obtained would've led it to conclude that the loan was affordable. I don't think HSBC acted unfairly by approving the loan.

My final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 29 November 2022.

Emma Davy
Ombudsman