

## **The complaint**

Mr P says HSBC UK Bank Plc (“HSBC”) acted irresponsibly by allowing him a £750 overdraft because the account was mainly used for gambling transactions.

## **What happened**

One of our adjudicators looked into Mr P’s concerns and didn’t think there was anything within the credit checks and information Mr P provided when he applied for the overdraft that should have led to HSBC questioning the lending and didn’t think HSBC had done anything wrong or treated Mr P unfairly.

Mr P disagreed. He says the account was mainly used for gambling and given the large amounts of gambling transactions on the account HSBC should’ve had systems in place to flag this behaviour. Mr P has asked for an ombudsman’s 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.

We’ve set out our general approach to complaints about 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. Having considered everything provided, I’ve decided not to uphold Mr P’s complaint. I’ll explain why in a little more detail.

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.

I’ve kept all of this in mind when thinking about whether HSBC did what it needed to before agreeing to Mr P’s overdraft. Mr P was given what was an open-ended credit facility. So overall this means the checks HSBC carried out had to provide enough for it to be able to understand whether Mr P would be able to repay his overdraft within a reasonable period of time.

HSBC says Mr P opened the account in November 2020 but didn’t use the account until April 2021 and was approved for a £750 overdraft in August. I can see from Mr P’s bank statements that prior to being approved for the overdraft his account was used for mainly

gambling transactions with large amounts being credited to the account to fund this from another account of Mr P's held with a different bank. I can see that in the months leading up to the overdraft being granted Mr P maintained a healthy balance in his account.

HSBC have told us that Mr P applied for his overdraft online and his application was fully credit scored taking into account information Mr P provided about his income and expenditure as well as information held by other external agencies provided through credit reference checks. Mr P's application shows that he had incomings declared of £2,250 and outgoings of £700. Based on this information HSBC was satisfied his score was high enough to provide him with the overdraft facility and limits he requested.

I accept that Mr P was using the account for gambling, but it is not for HSBC to decide what he spends his money on or his time doing. What HSBC needed to decide was whether the repayments were sustainable, and the lending was affordable. I also accept his financial position may well have been worse than the credit checks carried out showed or in any information he disclosed to HSBC at the time. And it is possible that further checks might have told HSBC this. But HSBC was reasonably entitled to rely on the credit check it carried out. And given the incomings into the account were significantly more than the monthly outgoings, I think HSBC's checks went far enough.

So I don't agree that HSBC acted irresponsibly by approving Mr P for an overdraft of £750. HSBC carried out the appropriate credit check on Mr P and were entitled to rely on the information provided to it when assessing Mr P's overdraft application. And given the historical credits going into the account exceeded the overdraft amount requested, I don't think that it was unreasonable for HSBC to conclude Mr P would be able to repay the funds within a reasonable period of time.

This means that I don't agree HSBC provided Mr P with an overdraft unfairly or irresponsibly. That said, even though Mr P's overdraft wasn't approved irresponsibly, HSBC still won't have acted fairly and reasonably towards Mr P if it applied any interest, fees and charges to Mr P's account in circumstances where it was aware, or it ought fairly and reasonably to have been aware Mr P was experiencing financial difficulty.

So I've considered whether there were instances where HSBC didn't treat Mr P fairly and reasonably. I don't think that HSBC did treat Mr P unfairly or unreasonably though. I say this because having looked at Mr P's statements I can't see anything to suggest that HSBC ought to have realised he might have been experiencing financial difficulty.

I accept that Mr P did use his overdraft but when his account became overdrawn Mr P usually corrected this within a matter of days by crediting the account with funds from another account. And it is not disputed that the account wasn't being used for paying essential bills but rather non-committed, non-contractual and discretionary transactions.

Of course this doesn't necessarily mean Mr P wasn't experiencing financial difficulty. But there isn't anything in these transactions in themselves which ought to have alerted HSBC to any potential financial difficulty. And in these circumstances, I don't think that it was unreasonable for HSBC to proceed with adding the interest, fees and charges it did.

So I don't think that HSBC treated Mr P unfairly or unreasonably which means that I'm not upholding this complaint.

### **My final decision**

For the reasons I've explained, I'm not upholding Mr P's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 8 December 2022.

Caroline Davies  
**Ombudsman**