

The complaint

Miss B complains that HSBC UK Bank Plc lent irresponsibly.

What happened

Miss B applied for a loan for £5000 in April 2017 and a further loan for £2000 in August 2017. HSBC approved the application.

Miss B complained that HSBC had lent irresponsibly. She said that at the time she'd applied for the loans she was unemployed and was suffering from mental health issues.

HSBC didn't uphold the complaint, so Miss B brought her complaint to this service.

Our investigator didn't uphold the complaint. He thought HSBC had carried out reasonable and proportionate checks and that the lending decision was fair.

Miss B didn't agree so the complaint has been passed to me for 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.

We've set out our approach to considering unaffordable and irresponsible lending on our website, including the key relevant rules, guidance, good industry practice and law. In short, lenders must ensure that any credit that is approved is affordable and sustainable for the borrower. I've kept this in mind when considering Miss B's complaint.

The first loan Miss B took out was in April 2017 for £5000 over a term of 48 months with monthly repayments of £123.40. The second loan was in August 2017 for £2000 over 60 months with monthly repayments of £44.69.

When offering lending, HSBC is required to ensure that it does so responsibly. It needs to carry out reasonable and proportionate checks in order to assess this. There's no set list of checks that HSBC has to do, but the checks should be proportionate to the circumstances of each loan and should take into account factors such as the amount of the loan, the amount of repayments and the borrowers financial circumstances.

Miss B has said that she doesn't think HSBC acted responsibly when it lent to her. She says that at the time she applied for the loans, she already had a loan with another lender and two credit cards and an overdraft which was near its limit. Miss B says she took out the loans so she could pay her other debts.

I've thought about whether HSBC carried out reasonable and proportionate checks. I've looked at the information HSBC obtained when Miss B applied for the loans. Miss B had a current account with HSBC, so it had access to information about her monthly income and expenditure data. HSBC says that Miss B's income matched the income she declared when she applied for the loans, and says that her current account was in credit, and that she had

an overdraft facility available to use but which was not being utilised.

Because Miss B was a customer of HSBC, this means it was able to make a reasonable estimate of her income and expenditure each month, as well as monitoring how she managed her existing credit commitments. With this information, as well as the information that HSBC obtained from the credit reference agencies to flag any adverse credit records, I think the checks carried out by HSBC were reasonable and proportionate to decide whether Miss B would be able to sustainably meet the loan repayments.

I've gone on to consider whether the decision to lend was fair. Based on the information I've seen about Miss B's income and expenditure each month, I'm satisfied that Miss B had sufficient disposable income to maintain the loan repayments after all her other financial commitments were met. There's nothing in the information I've seen to suggest that the loans weren't affordable for Miss B, or that she was experiencing any financial difficulties at the time of the loan application.

Miss B has told this service that she experienced financial difficulties in 2019 and that she has engaged with a debt support organisation. I'm sorry to hear about the situation that Miss B found herself in, however, I don't think these financial problems could fairly have been identified by HSBC and I don't think the lending was irresponsible.

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 Miss B to accept or reject my decision before 4 February 2023.

Emma Davy
Ombudsman