

The complaint

Mr S complains that HSBC UK Bank Plc ('HSBC Bank') irresponsibly gave him a credit card account that he couldn't afford.

What happened

On 18 April 2019, Mr S applied for a credit account with HSBC Bank. The initial credit limit was £7,000.

In 2022, Mr S complained to HSBC Bank to say that the account shouldn't have been opened for him because it wasn't affordable and that HSBC Bank ought to have made a better effort to understand his financial circumstances before doing so.

Our adjudicator recommended the complaint be upheld. HSBC Bank didn't agree. So, the complaint was passed to me to decide.

I issued my provisional decision in respect of this complaint on 3 February 2023, a section of which is included below, and forms part of, this decision. In my provisional decision I set out the reasons why I didn't agree with the adjudicator's view and that it was my intention not to uphold Mr S's complaint. I set out an extract below:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I've read and considered the whole file, but I'll confine my comments to what I think is relevant. If I don't comment on any specific point it's not because I've failed to consider it but because I don't think I need to comment on it in order to reach what I think is the right outcome in the wider context. My remit is to take an overview and decide what's fair "in the round".

HSBC Bank will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

Mr S's complaint is that HSBC Bank made credit available that was unaffordable. HSBC Bank has explained that it relied in part on information that Mr S provided at the time of application to assess affordability. They said they carried out a credit search in Mr S's name to assess Mr S's level of debt at that time and to understand how he had been managing that debt. With that information and using their own scoring metric, HSBC Bank decided to agree to the credit limit of £7,000. The HSBC Bank checks showed that Mr S already owed an amount in unsecured borrowings that was over £6,000. This is not a modest amount of revolving credit borrowing but it isn't immodest when compared to the good salary that Mr S declared. That salary was tested to see if it was as in line with the normal range of salary for someone of Mr S's age, job type and demographic information. The test confirmed the accuracy of the declared income.

HSBC Bank also told us that the checks they performed showed that Mr S's credit file was very clean at the time of the loan application. HSBC Bank told us they used Experian

Bureau Data which lead to an automatic acceptance which suggests there were no concerns raised in the report about Mr S's existing borrowing. It's disappointing that I have not been able to see the results of those checks. But it is true that I've been shown no evidence that brings that information into doubt.

So, it seemed from the credit checks that at the point that the lending decision was made, Mr S was affording his existing credit. And so, HSBC Bank were not put on notice of any reason not to agree the lending from that. And so, I don't think that the information that HSBC Bank had at the time of the lending decision, would have led them to feel they ought to make more searching enquiries of Mr S's expenditure.

Mr S has provided us with some bank statements for his current account with a different bank and they do show some evidence of gambling on them. I have to look at the information that was available to HSBC Bank at the time it made its lending decisions and not to use hindsight. I have seen no evidence that Mr S made HSBC Bank aware of his gambling at the time the credit card was applied for. And because Mr S was a new customer of HSBC Bank, they had no previous relationship. So, I have seen insufficient evidence that the other information that HSBC Bank acquired or had presented to it at the time of the lending decision, would have led them to think that they were remiss in not checking Mr S's expenditure more closely.

In this case, I have noted that HSBC Bank described the purpose of the credit card as being for balance transfers. I haven't seen anything from the point of sale that confirms that. But eight days after the credit card was applied for, Mr S made three balance transfers which amounted to £6,200. The credit card had offered 28 months at 0% interest on any balance transfers made within 60 days of the account opening. So, it seems most likely that the credit card was applied for with a view to make the balance transfers that followed shortly afterwards.

So, I don't see the activity on the card as evidence solely of new credit being provided by HSBC Bank, adding to an already significant amount of personal borrowing. Instead, it looks more likely that Mr S was taking steps, that could be termed sensible, to manage his existing debt by taking out this card and using it to secure more favourable terms to existing credit. I say that because Mr S would have been saving money on interest he would have been paying elsewhere. So, it doesn't seem automatically unreasonable for HSBC Bank to have facilitated that.

So, having considered all the submissions made in this case, and in the absence of any extra evidence from Mr S to the contrary, I have seen insufficient evidence to think that the credit HSBC Bank provided to Mr S was unreasonable.

I know that Mr S will be disappointed with my decision. But I want Mr S to know that I considered all the submissions made in this case. Having done so, I have not found sufficient evidence to uphold this complaint."

I asked the parties to the complaint to let me have any further representations that they wished me to consider by 17 February 2023. HSBC Bank has not acknowledged receiving the decision or made any further submission or asked for an extension to do so. Mr S made three submissions on the day the provisional decision was issued. He was told these submissions had been added to the file for my consideration, which they have been, and asked to make any further submission by 14 February. We have received no further communication from Mr S.

I think that both parties have had sufficient time to make substantive further submissions if they had wished to. So, I am proceeding to my 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.

Mr S still feels that HSBC Bank were negligent in the checks they performed and believes the lending was unreasonable. Whilst Mr S hasn't engaged with the points I made in my provisional decision, or provided any new evidence for me to review, his disappointment with my provisional findings is clear. In particular, Mr S was disappointed because he had other complaints that were upheld. But I need to explain that each case is considered on the merits of its own particular circumstances.

Given the above, having reconsidered the full complaint file again, I believe that I have no reason to depart from those provisional findings. And as I've already set out my full reasons for not upholding Mr S's complaint (above), I have nothing further to add.

My final decision

For the reasons set out, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 17 March 2023.

Douglas Sayers
Ombudsman