

The complaint

In summary, Mr F complains that HSBC UK Bank PLC (trading as First Direct), provided him with a credit card that he wasn't able to afford. I will refer to HSBC throughout the decision.

What happened

In November 2019, Mr F applied for a credit card with HSBC. The application was approved and a credit limit of £2,000 was provided.

HSBC explained to this service the checks that it carried out before providing Mr F with the credit card. It said that it verified his income from his bank account that he had with HSBC. Allowing for tax and national insurance deductions on Mr F's stated income of approximately £30,000, it derived a net income of approximately £1,900 a month. In addition, it said that it used information gathered from credit reference agencies and modelled essential spending including credit commitments it had obtained from credit reference agencies. It went on to explain that the creditworthiness and affordability assessment it carried out showed no evidence of missed payments and signs of over indebtedness.

Mr F's concerns were looked into by one of our investigators. They explained why they thought the lending provided to Mr F was affordable. Mr F didn't agree. He referred to the gambling transactions and debt management repayments that he had been making, as reasons why he shouldn't have been provided with the credit. And he said that had been considered in respect of a complaint he had made about other borrowing taken out with HSBC.

The investigator explained that they didn't think the debt management plan repayments would necessarily have led HSBC to reject his application if it had checked his bank statements. They said they would have expected HSBC to question the payments and factor that into its lending decision. They also said the provision of the credit card allowed Mr F to move existing debt at an interest rate of 0%.

In relation to the gambling Mr F had referred to, the credit card had been taken out before the loan and for a lower amount. Taking into the credit limit he was given and the available balance in his current account in the three months leading up to the application, they didn't think this would have suggested to HSBC that he would be unable to make the repayments. Mr F disagreed with our investigator's opinion, so the case has been passed to me to review.

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.

Before I set out my assessment of Mr F's complaint, I want to acknowledge what he has said about his other complaint about HSBC. I consider individual complaints. This means outcomes can be different in what on the face of it, may appear to be similar issues. This is often down to the nuances and individual circumstances of a particular

case. And in respect of Mr F's complaints about HSBC, they are different products with different levels of lending taken out at different times. Also, I am not bound by what ombudsman colleagues may have decided on other cases that may ostensibly appear similar.

We've set out our approach to considering unaffordable and irresponsible lending complaints on our website - including the key relevant rules, guidance, good industry practice and law. And I've considered this approach when deciding Mr F's complaint.

Having done so, I'm decided not to uphold Mr F's complaint. I'll explain why.

There are several questions that I've thought about when deciding if HSBC treated Mr F fairly and reasonably when it provided him with the credit card.

- 1) Did HSBC complete reasonable and proportionate checks to satisfy itself that Mr F would be able to repay his credit card in a sustainable way?
- 2) If not, what would reasonable and proportionate checks have shown at the time?
- 3) Ultimately, did HSBC make a fair lending decision?
- 4) Did HSBC act unfairly or unreasonably in some other way?

Did HSBC complete reasonable and proportionate checks to satisfy itself that Mr F would be able to repay his credit card in a sustainable way?

The rules that HSBC had to follow, required it to carry out checks that would enable it to reasonably assess, whether Mr F could afford to repay the credit card he wanted to take out. This is often referred to as an "*affordability assessment*".

The rules don't set out what specific checks HSBC needed to carry out, but it did set out that those checks needed to be proportionate to the circumstances of the application. I think what this meant in practice, was that the scope and extent of HSBC's checks needed to reflect the nature of the lending, bearing in mind things such as the amount of credit, the interest rate, and any indications of customer vulnerability.

The checks HSBC needed to carry as part of its affordability assessment, had to be "borrower focussed". What I mean by this, is that the checks needed to consider whether the credit provided, and the monthly repayments, would cause Mr F any difficulties or have any adverse consequences for him. This isn't an exhaustive list.

And as a result of the above, I think reasonable and proportionate checks needed to be more thorough if Mr F had a low income. This would reflect that it could be more difficult for him to make the card repayments with a low income. It would also need to be more thorough the higher the amounts he had to repay, as it would be more difficult to make higher monthly repayments on a given income.

With these principles in mind, I've thought about whether HSBC completed reasonable and proportionate checks to satisfy itself that Mr F would be able to repay his credit card in a sustainable way.

In summary then, the circumstances of the credit card application were as follows:

- Mr F was applying for a credit card which had an APR of 18.9% and 0% on balance transfers made within 90 days.
- Mr F was recorded by HSBC as having a net monthly income of approximately £1,900 when the credit card was taken out.

- Mr F was offered a credit limit of £2,000.
- The credit report obtained by HSBC in respect of Mr F as part of its underwriting process, showed no evidence of missed payments or over indebtedness. It recorded total credit balances of £4,275.

The credit limit of £2,000 that HSBC approved wasn't in my opinion, an insignificant amount. So, I would expect HSBC to have taken steps to verify information about Mr F's financial circumstances. And from the evidence I've been provided with, I can see that it does appear that it did carry out checks to verify information about Mr F's financial circumstances.

Mr F banked with HSBC, and I can see that it did check the credits received into his bank account. It's also provided evidence of a credit reference check that it carried out. This doesn't appear to show any evidence of excessive borrowing, missed payments or other adverse information. In addition, it has explained the expenditure assessment that it carried out to determine whether Mr F could afford to make repayments for the credit limit provided. And I think the expenditure assumptions it used in this case weren't unreasonable.

I understand that Mr F believes that HSBC should have checked his bank statements, and that if it did, it would have seen evidence of gambling transactions and debt management payments. But that isn't something that HSBC would have to do in every case. As I've said, what it needed to do was carry out checks that were reasonable and proportionate in the context of the lending it was proposing to make to Mr F. And taking into account the circumstances of Mr F's credit card application that I have summarised above, I'm satisfied for the reasons I've set out, that the checks HSBC did carry out were reasonable and proportionate in this particular case.

Did HSBC make a fair lending decision?

The credit checks that I've summarised above indicate to me that Mr F appears to have been managing his existing credit without any difficulties. And the expenditure exercise HSBC carried out indicated that in relation to Mr F's income, he had significant surplus income each month that meant he would be able to meet the repayments in respect of the credit card limit that he was being provided with. Also, the current account statements Mr F has provided for the months preceding the credit card application, don't indicate to me that he was having any difficulties managing his finances, that should have led HSBC to consider whether it was appropriate to provide him the credit that it did.

For the reasons I've outlined above, I think that in the particular circumstances of Mr F's case, HSBC didn't do anything wrong in providing him with the credit limit that it did or treat him unfairly or unreasonably in any other way. I do understand that Mr F will be disappointed with my decision.

My final decision

For the reasons I've set out above, my decision is not to uphold Mr F's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 9 June 2023.

Simon Dibble

Ombudsman