

The complaint

Miss E has complained that HSBC UK Bank Plc (“HSBC”) acted irresponsibly by allowing her to increase her overdraft limit and feels this led to her getting into financial difficulty.

What happened

Miss E held an account with an overdraft facility with HSBC. Miss E’s limit was increased to £700 in November 2021 and then decreased to £200 the following month. Following an online application by Miss E her limit was once again increased to £850 on 2 February 2022.

Miss E contacted HSBC on 16 February 2022 and informed it she had left her job in December and attempted to increase her overdraft to £900 as the benefits she was receiving wasn’t enough. HSBC advised Miss E that its financial solution team could assist or to go online to see what other options were available.

On 20 June 2022 Miss E was offered a repayment plan and overdraft interest and charges were suppressed from this point onwards.

Miss E complained to HSBC that it lent irresponsibly and that the fees applied to her account caused financial difficulty and requested that overdraft charges and interest were refunded from May 2021. Miss E also complained about the service she received when visiting a branch. HSBC confirmed that Miss E was charged £91.48 from May 2021 and offered her £200 compensation for the service Miss E had received and inconvenience the matter caused.

Miss E was dis-satisfied with this and referred her complaint to our service.

Miss E’s complaint was considered by one of our adjudicators. They thought that there wasn’t anything in Miss E’s account history which suggested she wouldn’t be able to repay her overdraft within a reasonable period of time and didn’t agree that HSBC acted irresponsibly by increasing Miss E’s overdraft limit.

Miss E disagreed, so her complaint was passed to an ombudsman for a decision.

I issued my provisional decision on 23 March 2023. In my provisional decision, I explained why I was proposing to uphold Miss E’s complaint.

I invited both parties to let me have any further submissions before I reached a final decision and HSBC or Miss E have added anything further.

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.

In my provisional decision I said that:

“HSBC needed to make sure that it didn’t lend irresponsibly. In practice, what this means is it needed to carry out proportionate checks to be able to understand whether Miss E would be able to repay what she was being lent before providing any credit to her. Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate.

Miss E’s overdraft is what we refer to as an open-ended credit facility. This means the checks HSBC carried out had to provide enough for it to be able to understand whether Miss E would be able to repay her overdraft within a reasonable period of time.

Before raising her complaint HSBC approved an overdraft limit increase from when it was decreased in December 2021 to £200, to £850 in February 2022. The application for the last limit increase was made online. HSBC says all applications were credit scored taking into account information Miss E provided about her income and how she had managed her account with it, as well as information held by other lenders provided through credit reference agencies. And based on this information HSBC was satisfied her score was high enough to provide her with the overdraft facility she requested.

I accept that Miss E’s financial position may well have been worse than the credit checks carried out showed or in any information she disclosed to HSBC at the time – indeed the application shows that she declared herself as still employed. 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 having viewed Miss E’s statements leading up to the increase I can see that although Miss E did use her overdraft she was regularly able to bring it right down with incoming credits and often saw and a credit balance. I can also see that Miss E was able to make a number of non-committed discretionary transactions on retail and takeout food. So I think HSBC’s checks went far enough and I don’t think HSBC acted unfairly in increasing her limit.

But by March 2022 Miss E’s circumstances had changed and I think her account was starting to show signs of financial difficulty. Miss E had informed HSBC on 16 February 2022 that she’d lost her job, her statements show she was at the top of her overdraft limit and direct debits were being returned. I think it was evident Miss E was in no position to sustainably repay what she owed within a reasonable period of time.

So having carefully considered everything provided I currently intend to find that HSBC acted unfairly when it continued charging overdraft interest and associated fees from March 2022. By this point, HSBC had been informed of Miss E’s change in circumstances and her statements were showing signs of financial difficulty.

I accept that HSBC sign posted Miss E to its financial solution team and that Miss E was eventually put on a repayment plan in late June 2022. But I think this help came too late – months after Miss E had got in touch regarding her circumstances and her bank statements were showing signs of financial difficulty.

So I think that this should have prompted HSBC to have realised that Miss E wasn’t using her overdraft as intended and shouldn’t have continued offering it on the same terms. As HSBC didn’t react to Miss E’s overdraft usage and instead continued charging in the same way, I think it failed to act fairly and reasonably.

Miss E ended up paying additional interest, fees and charges on her overdraft and this ended up exacerbating difficulties she already had in trying to clear it. So I currently think

that HSBC didn't treat Miss E fairly and she lost out because of what HSBC did wrong. And this means that it should put things right.

I do note that HSBC has already offered Miss E's £200 to settle her complaint and this could well be more than the total of any refund of interest and charges applied to her account. But despite this being explained to Miss E she still didn't want to accept this offer. So the redress outlined below is in-line with what I'd usually recommend in Miss E's circumstances."

As neither party has provided any further new evidence or arguments for consideration, I see no reason to depart from the conclusions set out in my provisional decision. It follows that I uphold this complaint.

Putting things right

Having thought about everything, I think that it would be fair and reasonable in all the circumstances of Miss E's complaint for HSBC to put things right by:

- HSBC should re-work Miss E's current overdraft balance so all interest, fees and charges applied to it from March 2022 onwards are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made HSBC should contact Miss E to arrange a suitable repayment plan for this. If it considers it appropriate to record negative information on Miss E's credit file, it should reflect what would have been recorded had it started the process of taking corrective action on the overdraft in March 2022.

OR

- If the effect of removing all interest, fees and charges results in there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Miss E along with 8% simple interest† on the overpayments from the date they were made (if they were) until the date of settlement. If no outstanding balance remains after all adjustments have been made, then HSBC should remove any adverse information from Miss E's credit file.

† HM Revenue & Customs requires HSBC to take off tax from this interest. HSBC must give Miss E a certificate showing how much tax it has taken off if they ask for one.

My final decision

For the reasons I've explained I uphold Miss E's complaint and direct that HSBC UK Bank Plc pay the fair compensation as listed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss E to accept or reject my decision before 22 May 2023.

Caroline Davies
Ombudsman