

## **The complaint**

Miss L says HSBC UK Bank Plc irresponsibly lent to her.

## **What happened**

Miss L took out a credit card from HSBC in June 2019 with a credit limit of £1,000. The credit limit was never increased. The account defaulted in September 2020.

Miss L said HSBC should never have given her the card and such a high limit. Its checks should have shown she had a low credit score and negative marks on her file. She wants the debt to be wiped, any fees and charges she paid to be refunded and default markers to be removed from her credit file.

Our adjudicator did not uphold Miss L's complaint. He said HSBC carried out proportionate checks before lending and these did not show any signs that the credit would be unaffordable for Miss L.

Miss L disagreed with this assessment and asked for an ombudsman's review. She said HSBC had destroyed her life.

## **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.

HSBC 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.

In summary, to assess Miss L's complaint I need to decide whether HSBC carried out proportionate checks before agreeing to lend, if not what would better checks have shown, and did it make a fair lending decision.

HSBC has explained that it relied in part on information that Miss L provided at the time of application (such as her income and residential status) and data from internal models to assess affordability. And it carried out a credit search in Miss L's name to assess Miss L's level of debt at that time and to understand how she had been managing that debt. It also carried out an external income verification check. With that information and using their own scoring metric, HSBC Bank decided to agree to the credit limit of £1,000 having concluded Miss L had a monthly disposable income of £343.

I think these checks were proportionate given the value and type of borrowing, and the monthly repayments (assuming a 5% of maximum balance) relative to Miss L's income. I also think HSBC made a fair lending decision based on the information it gathered. I'll explain why.

HSBC checked the income Miss L had declared and made some assumptions about her living expenditure. It understood how much she needed to spend on her existing credit from its credit check. This showed that Miss L had under £5,000 in unsecured debt when she applied, and her payments were up to date on all her active credit accounts. Her most recent default was 15 months ago, and the debt had since been settled. So it seemed her finances were now stable. I don't find that this historic adverse data should have been a reason not to lend given the results of all other checks.

In the round I don't think there were any indicators that this credit card might not be sustainably affordable for Miss L. She has sent in evidence of financial difficulties, but I can't see that these pre-date this credit card application. Also, it maybe that there was other adverse data on her full credit file but as I have found HSBC's checks were proportionate, I can only fairly expect HSBC to react to the results of those checks.

I am sorry Miss L went on to struggle financially, but based on the results of its proportionate checks I don't think HSBC was wrong to lend to Miss L. It follows I am not instructing HSBC to write-off the debt as she asks, nor to refund any interest and charges she paid. I can see HSBC signposted free debt advisory services to Miss L.

Miss L also asked that the default be removed from her credit file, but HSBC has evidenced that it was applied fairly and in line with the Information Commissioner's Office (ICO) guidelines so there are no grounds for me to order this. It accurately reflects how she managed the account. I would urge Miss L to contact HSBC to discuss an affordable repayment plan, and I would remind HSBC of its obligation to treat Miss L fairly, and with forbearance.

### **My final decision**

I am not upholding Miss L's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 1 June 2023.

Rebecca Connelley  
**Ombudsman**