

The complaint

Mr B complains that HSBC UK Bank Plc lent to him irresponsibly.

What happened

In December 2019 Mr B applied for a loan with HSBC. HSBC approved the application and gave Mr B a loan for £13,500 repayable over a term of 60 months with monthly repayments of £274.58.

Mr B complains that HSBC lent to him irresponsibly.

HSBC didn't uphold the complaint. It said it had carried out proportionate checks before lending to Mr B.

Mr B wasn't happy with the response and brought his complaint to this service.

Our investigator didn't uphold the complaint. She said that HSBC had carried out reasonable and proportionate checks before approving the loan.

Mr B didn't agree so I've been asked to make 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 complaints about irresponsible and unaffordable lending on our website. I've had this approach in mind when considering Mr B's complaint.

Before agreeing to lend, the rules say that HSBC had to complete reasonable and proportionate checks to ensure that Mr B was able to repay what was being lent. These checks needed to be borrower focussed and could include a consideration of things such as the amount of credit, the total sum repayable, the amount of repayments and the consumers individual circumstances.

There's no set list of checks a lender must complete. But lenders are required to consider the factors I've set out above when deciding what's reasonable and proportionate.

Mr B declared annual income of £28,600 when he applied for the loan. HSBC validated this by looking at salary credits to Mr B's current account with HSBC, which it verified at £1,831 per month.

HSBC carried out a full affordability assessment using an industry tool to estimate essential monthly expenditure. HSBC also carried out a credit search to check Mr B's existing credit commitments. Based on all of these checks, HSBC calculated Mr B's outgoings at £1,271 per month. This left Mr B with around £560 net disposable income each month, which HSBC felt was sufficient to afford the loan repayment of £273.

Based on what I've seen, I'm satisfied that HSBC carried out reasonable and proportionate checks. I don't think there was anything in the information gathered by HSBC from the checks which suggested that Mr B was struggling to pay his debts, or which would've given cause for concern or necessitated further checks.

I've gone on to consider whether the lending decision was fair. HSBC hasn't been able to provide a copy of Mr B's credit file at the time he applied for the loan. Mr B has said that he had around £16,978.00 of credit card debt at the time he applied for the loan. He's provided a screenshot to evidence this. I've had regard to this, but the screenshot isn't sufficient for me to assess whether Mr B was managing his other accounts in a satisfactory way, or calculate how much he was repaying towards his other credit commitments each month.

I've looked at Mr B's bank statements for the period immediately prior to him taking out the loan. This is one of the ways in which I can assess what reasonable and proportionate checks would've shown. The statements are from Mr B's current account with HSBC, so HSBC could've looked at this information if it had felt that it was necessary to carry out further checks. But as I've said, I think the checks carried out by HSBC were reasonable.

There are a number of cash withdrawals on the statements. Mr B has told this service that these withdrawals were for gambling. Whilst I have no reason to doubt what Mr B says about this, I don't think there was anything in the information gathered by HSBC which would've caused it sufficient concern to necessitate further checks of Mr B's bank statements. So I don't think HSBC can reasonable be expected to have made further enquiries about how Mr B spent his disposable income.

Mr B has made the point that the money being paid out of his account was around twice the amount paid into it by way of salary. He's told this service that this was due to him transferring money in from credit cards. Mr B feels that HSBC should've noted this and been alerted to the fact that he was gambling.

I've taken everything that Mr B has said into account. However, considering the amount of the loan, the term over which it was to be repaid and the amount of repayments, I think the checks carried out by HSBC were reasonable and proportionate. I haven't seen anything in the information gathered by HSBC to suggest that Mr B was in financial difficulties or that he was unlikely to be able to sustainably repay the loan. For the reasons I've given I'm unable to uphold the complaint.

My final decision

My final decision is that I'm unable to uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 3 July 2023.

Emma Davy
Ombudsman