

The complaint

Miss S is unhappy her application for a personal loan was declined and how this was handled by HSBC UK Bank Plc.

What happened

Miss S applied for a personal loan for £25,000 to consolidate her debts with HSBC and other lenders. HSBC declined the application and informed her of the outcome via text message.

Unhappy with the decision and HSBC's failure to contact her to discuss the application, Miss S asked for it to be reconsidered. HSBC reviewed the application again but didn't change its decision. It said it wouldn't look to lend where majority of the loan was for external debt consolidation, and it was their policy to take other debt into account when completing affordability checks as it has no control over these facilities being repaid.

Our investigator thought HSBC hadn't done anything wrong. They said, in summary, HSBC is entitled to make decisions on who it lends to and it followed its process when the outcome was shared via text message.

Miss S disagreed. She thinks the repayments are affordable and feels HSBC could repay her existing debt with other lenders directly if it didn't trust her.

As Miss S remained unhappy with the outcome, the case was passed to me to make a 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.

I must emphasise that we're not the regulator. We can't tell a business to offer lending to a customer or how it should process applications. A business can set their own policies and procedures, this is their commercial decision to make. Our role is to ensure their policies and procedures have been followed and there are no errors which resulted in the customer being treated unfairly.

A lender must undertake reasonable and proportionate checks to ensure the borrower can afford to repay the loan in a sustainable way. HSBC has shown that irrespective of the reason for the loan, it's their policy to take external lending into account when considering affordability. This meant Miss S's debt to income ratio was over 100% and it found the loan to be unaffordable for her.

I understand Miss S says she has a good credit history and is a long-standing customer of HSBC. However, this doesn't mean HSBC wouldn't carry out checks based on its internal lending criteria. I can see Miss S feels HSBC may have declined the application for other reasons, but I think it has provided her with a clear explanation for its decision. It has also

reviewed the application on appeal but reached the same outcome. Overall, I'm satisfied it didn't act unfairly or unreasonably when declining Miss S's application.

I note Miss S says she was told by a member of staff in branch that she wouldn't experience problems acquiring the loan. Whilst this may have been the case, I've seen nothing to suggest Miss S was guaranteed the loan, and she was still required to go through the application process. Therefore, I can't say HSBC has done anything wrong.

I know Miss S thinks there should be an option for HSBC to repay her external debt directly if it doesn't trust her to do so. However, this isn't something HSBC is required to offer. It's entitled to decide who it lends to and the criteria it has in place for doing so.

Miss S also raised concerns about the way HSBC communicated the outcome of her application. HSBC has explained their process is to inform customers via text message. From what I've seen, I think HSBC treated Miss S in the same way it would any other customer so I can't say it acted unfairly here.

I'm sorry to disappoint Miss S, I appreciate she applied for the loan to put herself in a better position, and it's unfortunate she didn't meet the lending criteria. But I think HSBC has handled her application fairly and reasonably, so I'm unable to ask it to do anything differently.

My final decision

My final decision is I don't uphold Miss S's complaint against HSBC UK Bank Plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 4 June 2024.

Tania Henry
Ombudsman