

The complaint

Ms W has said HSBC UK Bank Plc acted irresponsibly when it provided her with two separate loans in 2018 and 2021.

Ms W is represented by a complaints management company ("CMC"). For the sake of clarity when I refer to Ms W I mean both her and her representative.

Background

Ms W applied for two loans with HSBC. The first one was in May 2018 and was for £11,500 over a term of 48 months. The second loan was taken in January 2021 and was for £8,000 over a term of 59 months. Both loans were repaid early and in full.

Ms W, via her CMC, has said that at the time of lending the loans were unaffordable for her. She had experienced a significant change of circumstances and had gone through a divorce. She was also gambling in an excessive way. She believes that HSBC was wrong to provide her with the loans and that the lending decisions were irresponsible.

HSBC has said that at the time of the first loan in May 2018, there was no evidence of any gambling on her account, her credit file showed no signs of any missed payments or arrears and her income was £34,000. It's satisfied that the loan was affordable and there were no signs that Ms W may struggle to repay it.

In regard to the second loan taken in January 2021, HSBC has confirmed Ms W applied for a larger loan of £14,000. However, this application was reviewed by its underwriter who declined that amount but offered Ms W a lower amount of £8,000. The loan was for debt consolidation, and agreements were made with Ms W prior to the loan approval that the funds would be used to clear her existing credit card and overdraft debt. The limits on both those forms of credit were to be reduced once cleared. HSBC confirmed this happened following the release of the funds to Ms W.

While HSBC agreed there was evidence of gambling on Ms W's account at the time of application in 2021 it has said this didn't appear to be causing her any significant problems. Her accounts were well maintained, and she had savings on which she could rely. So, it didn't think it was wrong to provide her with either loan so didn't uphold her complaint.

Unhappy with the answer provided by HSBC Ms W's CMC brought the complaint to this service. One of our investigators looked into it already. She found that although there was evidence of gambling on Ms W's account before the 2021 loan, there was nothing to indicate this was causing her financial problems. Having reviewed the circumstances around both lending decisions she thought that HSBC had acted reasonably when granting the loans and so didn't uphold the complaint.

Ms W's CMC responded saying that the volume of gambling prior to the 2021 loan showed problematic behaviour on the account and the bank shouldn't have accepted the application. It also said HSBC was wrong to take Ms W's savings into account as doing so goes against the lending rules set out by the Financial Conduct Authority ("FCA").

The CMC disagreed with the investigator's findings and asked for an ombudsman to review the complaint again and so it's been passed to me for consideration.

My findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so I agree with the findings of our investigator and won't be upholding Ms W's complaint. I know this will come as a disappointment for her so I've set out my findings below.

In its response to our investigator's findings, the CMC only continued to challenge the lending decision made in 2021 as there was no evidence of gambling anywhere on Ms W's account prior to the lending decision made in 2018. Therefore, as it appears the CMC accepted the findings relating to the 2018 loan, I'll only consider the loan application made in 2021 in this decision.

Ms W's CMC has argued that under the lending rules set out by the FCA in its handbook, specifically those under CONC 5.2A.12, HSBC was wrong to take Ms W's savings into consideration when assessing the affordability of the loan. It has explained that following her divorce Ms W received a large lump sum settlement into her account and was regularly transferring funds from this to cover her gambling expenses. It has said that in the months immediately prior to the 2021 loan Ms W was spending the equivalent of nearly half her monthly salary on gambling. So it thinks it was inappropriate for HSBC to provide her with the loan due to how she was managing her finances at the time.

I've reviewed Ms W's accounts at the time of the 2021 loan and agree there was a spike in gambling activity in the months immediately beforehand. I can also see that when Ms W applied for the loan she applied for a larger loan, and it wasn't immediately accepted. Rather the application was referred to HSBC's underwriting team and discussions were had around the purpose of the loan, which Ms W explained was debt consolidation, and whether or not it was affordable. So, I think a detailed conversation was had with Ms W and HSBC prior to the loan being approved.

It's worth noting here that the lending rules set out in CONC 5.2A.12 state that businesses shouldn't assume a consumer will use savings to repay credit unless they've indicated an intention to rely on them for repayment. Given that Ms W had a detailed conversation with HSBC's underwriters prior to the loan being agreed, I think it's likely that the savings she had were discussed. So, I don't think HSBC was automatically wrong to consider these as part of its overall affordability checks.

Ultimately Ms W was approved for a £8,000 loan, not a £14,000 loan as she had requested. It was agreed that she would use the funds to clear her overdraft with HSBC and then reduce its limit. She also agreed to use funds to clear her existing credit card debt and reduce the limit on that facility too. Both of these things happened, and HSBC has confirmed that as a result the overall amount Ms W was spending on repaying credit each month reduced by approximately £132. The loan was repaid early in March 2022.

Having looked at the checks run by HSBC in 2021 I believe they were proportionate, and I'm satisfied that a detailed conversation took place prior to the loan being approved. I'm also satisfied that the loan was ultimately beneficial for Ms W as it helped reduce her overall indebtedness and reduced her monthly outgoings as well.

I do accept that there was evidence of gambling on the account prior to Ms W applying for the

loan. But this in and of itself isn't enough to say HSBC should have refused the application. Rather it should have considered the activity, and whether or not it was causing Ms W any problems prior to the application or was likely to cause her any problems meeting repayments once the loan had been approved. And although Ms W was gambling heavily prior to January 2021, it doesn't appear it was causing her any significant issues at the time. There's no evidence of missed payments, arrears or over reliance on credit. And I can see that Ms W ultimately stopped gambling shortly after receiving the loan in question.

Overall, I think the checks run by HSBC were proportionate and in line with the rules set out by the FCA in CONC. And while there was gambling on her account prior to the second loan application it doesn't automatically follow that she couldn't be approved for the loan. The loan itself was tailored for her needs, reduced her overall indebtedness and monthly outgoings, and was repaid in full and early. So, I can't see that the lending decision caused Ms W any harm, or that HSBC should have been concerned at the point of application it had the potential to cause her harm. Which means I don't think HSBC was wrong to approve the 2021 loan and I'm not upholding Ms W's complaint.

My final decision

For the reasons set out above I don't uphold Ms W's complaint against HSBC UK Bank Plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms W to accept or reject my decision before 27 June 2024.

Karen Hanlon
Ombudsman