

The complaint

Miss M complains that HSBC UK Bank Plc was irresponsible in its lending to her.

What happened

Miss M says that HSBC gave her a £5,000 overdraft when she graduated even though her monthly income was £1,200. And it also provided her with a credit card with a high credit limit and personal loans. She says that she could only just make the minimum repayments on her credit card and struggled to make the payments on her loan. Miss M says she regularly went over her overdraft limit incurring fees and that HSBC then reduced the overdraft meaning she had to find the money to repay this resulting in her taking out a larger consolidation loan. Miss M says that she wasn't aware before 2023 that she would be able to make a complaint against HSBC for irresponsible lending.

HSBC issued a final response in April 2023. It said that detailed records weren't held for more than six years and so it had reviewed the limited historical information available. It said that Miss M's premier bank account was closed in January 2014 and her personal loan closed in March 2014 and the outstanding balances on these accounts were transferred to HSBC's debt recovery services. Miss M's credit card was closed in February 2014, and it provided details of the outstanding balance. HSBC said that as Miss M's complaint related to matters that occurred more than six years before the complaint was raised this complaint had been raised out of time.

Miss M referred her complaint to this service and a jurisdiction decision was issued saying this was a complaint we could consider. Our investigator considered the merits of Miss M's complaint. She said that due to when the lending was provided HSBC no longer had evidence showing the checks it undertook at the time, therefore she couldn't say whether the checks were proportionate. She noted the information Miss M had sent regarding her financial circumstances but as this didn't cover the period when the lending was provided, she said she couldn't say what HSBC would have found had reasonable checks been carried out. Therefore, she couldn't say that HSBC had acted irresponsibly and so didn't uphold this complaint.

Miss M didn't accept our investigator's view. She said she was constantly at or over her overdraft limit when the HSBC loans were provided, and that the overdraft continued to be provided and fees charged despite her financial circumstances. She explained that she started payment through a debt management plan in August 2013, less than a year after the last loan was provided to her from HSBC and thought that had HSBC carried out adequate checks it would have realised she was in financial difficulty and not provided the amount of credit it did.

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.

Our approach to considering complaints about unaffordable and irresponsible lending is set

out on our website. I've had this approach in mind when considering what's fair and reasonable in the circumstances of this complaint.

In summary, before providing credit, lenders need to complete reasonable and proportionate affordability checks. There isn't a set list of checks a lender is required to carry out, it just needs to ensure the checks are proportionate when considering things like: the type and amount of credit being provided, the size of the regular repayments, the total cost of the credit and the consumer's circumstances.

Miss M was provided with an overdraft facility, credit card and loans from HSBC. She has provided evidence relating to loan agreements dated May 2002, June 2006 and June 2012 as well as information about entering into a debt management plan in 2013. She has noted her overdraft being high between 1999 and 2003.

As banks are only generally required to hold records for six years and HSBC has noted that Miss M's premier bank account, her final loan and her credit card were all closed in 2014, I don't find it surprising that HSBC no longer has evidence available to show the checks that were carried out before the lending was provided. As I haven't seen the evidence of the checks undertaken when the lending was provided, I cannot say whether these were proportionate or not.

In certain circumstances it is possible to assess what would have been identified had adequate checks taken place based on bank statements or other evidence of financial circumstances at the time. Miss M has provided copies of some of her bank statements and credit card statements. However, as these don't show Miss M's financial circumstances at the time the lending was provided, I cannot say what HSBC would have seen had adequate checks been undertaken at that time. I note the bank statements provided show that Miss M was using her overdraft, but I do not find that the evidence provided is enough for me to say that HSBC should have taken further action at that time.

In conclusion, I do not find that the evidence I have seen is enough for me to say that the lending provided by HSBC was irresponsible. Therefore, I do not uphold this complaint.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 23 April 2024.

Jane Archer
Ombudsman