

## **The complaint**

Mrs S complains that HSBC UK Bank Plc ("HSBC") provided her with credit she couldn't afford to repay.

## **What happened**

HSBC approved a loan of £20,720 for Mrs S in November 2023. Mrs S was to repay the loan in 83 monthly instalments of £398.14 and one of £398.47.

Mrs S complained to HSBC in late 2023. She didn't think they should have provided the credit as it wasn't affordable for her.

HSBC didn't agree. They said that when they approved the loan they used a combination of credit reference agency and self-reported information to assess the application. They say that they considered Mrs S's previous performance on the loan that this loan replaced, and that their underwriters used statistical means to calculate Mrs S's likely expenditure, checking that against her account transactions. They also confirmed Mrs S's income and on the basis of those reasonable checks, they thought the credit was affordable for her.

Our investigator didn't agree. He thought the checks HSBC had completed were reasonable and proportionate, but he thought the checks didn't demonstrate Mrs S was likely to be able to sustainably afford the repayments she was asked to make.

HSBC didn't respond to our investigator's most recent opinion so the complaint has been referred to me, an ombudsman, for 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.

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.

I think HSBC completed reasonable and proportionate checks before approving the loan, but I think the information it collected should have told them that the loan wasn't affordable.

The credit file showed that Mrs S already had debt of about £26,000 (including the loan this one was to replace) and that she had taken out six credit agreements in the last twelve months. Her debt represented a substantial proportion of her annual income. Mrs S had also taken a salary advance of £5,700 in September 2023 to which I think it is reasonable for HSBC to have expected there would need to be repayments. The credit file HSBC reviewed showed that Mrs S had access to credit limits that would have enabled her to borrow about £12,000 more had she used the accounts. I think HSBC should have considered what that would have been likely to cost Mrs S if she'd used the credit and repaid it over a reasonable period, as she could have done at any time. While I can see that HSBC took Mrs S's rent

into account I can't see that they considered her mortgage payments of £615 per month. Taking all of that into account, along with the estimated living expenses HSBC considered of about £800 per month. I don't think it was reasonable of them to suggest Mrs S's income, that they had validated at £2,080 per month, would be sufficient to make the monthly repayments affordable for her.

### **Putting things right**

As I don't think HSBC should have approved the loan I don't think it's fair for it to charge any interest or charges. However, Mrs S has had the benefit of the capital she lent so I think she should pay that back. Therefore, HSBC UK Bank Plc should:

- Add up the total amount of money Mrs S received as a result of having been given this loan. The repayments Mrs S made should be deducted from this amount.
  - a) If this results in Mrs S having paid more than she received, any overpayments should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement). †
  - b) If any capital balance remains outstanding, then you should attempt to arrange an affordable and suitable payment plan with Mrs S.
- To remove any negative information recorded on Mrs S's credit file relating to this loan.

† HM Revenue & Customs requires you to take off tax from this interest. You must give Mrs S a certificate showing how much tax you've taken off if she asks for one.

### **My final decision**

I uphold this complaint and direct HSBC UK Bank Plc to put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 21 May 2024.

Phillip McMahon  
**Ombudsman**