

The complaint

Miss J complains that HSBC UK Bank Plc was irresponsible in its lending to her when it provided her with a credit card account. She wants a refund of all interest and charges applied to her account and any adverse credit information removed from her credit file.

What happened

Miss J applied for a HSBC credit card in January 2020. At the time, she says she was in financial difficulty and had, five months earlier, taken out a mortgage and car finance and was consistently operating in her overdraft and had other store and credit card debts outstanding. Miss J says she had only recently started work and so had no income background. She says the credit card lending has made her financial situation worse and she had to take out further debt to meet the repayments. This has caused her stress and resulted in her needing medication for mental health issues. She then lost her home due to not being able to afford her bills.

HSBC issued a final response in December 2023. It said that Miss J wasn't an existing customer when she applied for a credit card in January 2020, and it relied on her providing accurate information in her application. It said that it assessed the information Miss J provided along with information received from the credit reference agencies and her application was approved.

Miss J wasn't satisfied with HSBC's response and referred her complaint to this service.

Our investigator upheld this complaint. She thought that given the amount of credit being provided, what HSBC knew about Miss J's unsecured debts and that Miss J had declared she was a homeowner indicating she had a mortgage, that HSBC should have done more to verify Miss J's expenses. She said that had this happened it was likely HSBC would have realised that Miss J was spending a substantial amount on betting transactions. She thought that had this been identified HSBC would have realised that lending to Miss J wasn't sustainably affordable.

HSBC didn't agree with our investigator's view. It said that Miss J's mortgage payment had been included in its assessment along with her other credit commitments. It said that its essential spend model was used in its affordability assessment and included information that aligned to other third-party data to reflect non-discretionary outgoings. It didn't accept that a more in-depth review of Miss J's financial circumstances was required. It said its checks were proportionate and that requesting additional information when a customer had met its creditworthiness and affordability assessments was time consuming and a barrier to lending.

My provisional conclusions

I issued a provisional decision on this complaint the content of which is set out below.

Miss J was provided with a credit card account with an initial credit limit of £3,500. As part of the application process, Miss J was asked to provide information about her employment, income and residential status. She said that she was employed full time with an annual

income of £18,900. A net monthly income of £17,000 was also included but this doesn't appear accurate and as the annual income figure was verified using third party data and used in the assessment, I have based my assessment on that figure. Miss J said she was an owner occupier, living with a partner and had no dependents. An affordability assessment was undertaken which used information from Miss J's credit file for her mortgage and other credit commitments. Her other expenses were then modelled and as Miss J had said she was living with a partner certain expenses were considered to be shared. A credit check was carried out which showed Miss J had unsecured debt of £12,900 and revolving debt of £1,450. No defaults, county court judgements or other current adverse data was recorded.

While Miss J's credit file didn't raise concerns about how she was managing her credit commitments at that time, it recorded five accounts having been opened within the preceding six months. Miss J had taken out a mortgage and hire purchase within the previous months and noting the size of the credit limit being offered by HSBC and Miss J's increasing commitments, I think it would have been proportionate for HSBC to asked for further details to ensure it had a thorough understanding of Miss J's financial circumstances before lending.

HSBC wasn't required to request copies of Miss J's bank statements, and while I think further checks were required to understand Miss J's financial circumstances, specifically her expenses, I do not think (unless the responses to questions raised concerns) that these figures needed to be verified. However, I have looked at the information contained within Miss J's statements to understand what would likely have been identified had further questions been asked.

Miss J included details of her employer in her application. Having looked through Miss J's bank statements leading up to the application these show income from a different employer. Miss J has explained that she changed jobs around the time of the application and as she had the new job when she applied for the credit card, I find it reasonable to accept that any further questions about her income would be based on her new employment. Therefore, I find it reasonable to accept Miss J's declared income figure of £18,900 a year. This would be equivalent to a net monthly income of around £1,366.

Miss J was a homeowner, and her mortgage was visible on her credit file. HSBC said the monthly repayments were included along with other expenses, while noting some expenses would be shared with Miss J's partner. Having looked at Miss J's statements, at the time of the application she had an account in her name and a joint account with her partner. The mortgage, rent and other housing costs (such as council tax and utilities) were paid from the joint account and totalled around £758. I think that had further questions been asked about Miss J's costs she would have provided evidence from the joint statements and as payments were being made into the account by both Miss J and her partner, I think it reasonable that a portion (50%) of these would be attributed to Miss J.

Additional to the expenses paid from the joint account Miss J was paying around £173 for car finance and had associated costs of running a car, a phone contract and had overdrafts and a credit card. However, taking these amounts into account, I find that the disposable income figure HSBC identified of £568 isn't unreasonable. Considering the amount that would be repayable on the credit card, I do not find that I can say further questions would have shown the lending to have been unaffordable.

Miss J's sole bank statements show she was gambling at the time. This wasn't obvious from the joint account statements. While I have looked through the statements to understand what information would have likely been disclosed had further questions been asked about Miss J's expenses, in this case as I don't think that further questions would have raised concerns regarding the affordability of the lending, I wouldn't have expected further

verification to have been required. As I have nothing to show that Miss J informed HSBC of her gambling at the time, and I wouldn't have expected HSBC in this case to have requested Miss J's account statements, I do not find I can say HSBC should have been reasonably aware of her gambling.

So, on balance, as I do not find I can say with any certainty that further checks would have alerted HSBC to Miss J's gambling, I have based my assessment on the affordability of the lending. And as I do not find that further questions would have suggested the lending to be unaffordable, I do not intend to uphold this complaint.

Miss J didn't accept my provisional decision and provided further comments in response. She didn't accept that HSBC reviewed the information she provided alongside that of the credit reference agencies. She said that she received a document from HSBC that stated she had no other credit card accounts when she opened the HSBC account when she had two. She said that another credit card provider had upheld her irresponsible lending complaint and didn't think it reasonable that this complaint hadn't been upheld.

Miss J provided further details of her expenses at the time and said that based on these she wouldn't have been able to clear the HSBC debt within a reasonable timeframe. She said that at the time the HSBC lending was provided she already had £8,475 of debt and she didn't accept that further lending of £3,500 was responsible, noting that it brought her total debt to more than half of her annual income.

Miss J said that as she had only been in her new employment for a month it should have been presumed she was in a probationary period and she further noted she had recently bought a home. She said these factors should have meant that HSBC asked further questions.

Miss J said that HSBC didn't carry out proportionate checks before lending and didn't think that my provisional decision gave enough consideration to her income and outgoings at the time. She said it wasn't reasonable to think she would be able to clear the debt within a reasonable timeframe.

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 general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

I note the comment Miss J has made about another finance provider accepting it had lent irresponsibly to her. But we consider each complaint based on its individual merits and my decision is based on what I consider fair and reasonable given the unique circumstances of the complaint.

I have considered the comments Miss J provided regarding the affordability of the lending in response to my provisional decision and I have looked again at the other information

contained within this complaint. However, having done so I do not find that my conclusion has changed.

Miss J has said that she had other credit card accounts at the time of applying for the HSBC credit card. I note her concerns about whether these were taken into account, but I can see that from the credit check HSBC has provided that this did include other revolving debt.

That said, as I explained in my provisional decision, I think it would have been reasonable, given Miss J's credit commitments and the size of the credit limit being provided, that HSBC would have asked further questions to get a clear understanding of Miss J's expenses. Miss J has provided information about her expenses at the time and confirmed that the household expenses were split. I included Miss J's share of household expenses shown in the bank statements (including mortgage, rent and utilities) in my provisional decision. I also noted the amount she was paying for car finance and took into account her payments towards her other credit cards. Considering her expenses at the time against her income I do not find that further questions would have shown the credit card provided by HSBC was unaffordable for Miss J.

I appreciate the comment Miss J has made about the HSBC credit card increasing her total debt but in this case, I do not find that this alone meant the credit shouldn't have been provided. And as the lending appeared affordable, I do not find that HSBC acted irresponsibly.

I understand that Miss J doesn't agree with my decision but in this case, I do not find I can 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 J to accept or reject my decision before 4 July 2024.

Jane Archer
Ombudsman