

## **The complaint**

Mr V complains that HSBC UK Bank Plc irresponsibly lent him a personal loan.

## **What happened**

In July 2021 Mr V took a personal loan with HSBC. He borrowed £9,350 over a term of 60 months at an APR of 7.9%, giving a monthly payment of £187.97.

In 2024, Mr V complained about the loan. He said he took out the loan to repay credit card debt, but it should never have been agreed. He said that he had a large amount of unsecured debt already, including another loan with HSBC. He was only able to afford to make minimum payments on his credit cards and was near to his credit limits. He said that giving him further borrowing just made his situation worse. He was already struggling with his finances.

HSBC said that it assessed the application appropriately, based on Mr V's circumstances and credit history. It had no concerns about whether the loan was affordable or sustainable, and believed it had lent responsibly. It said that Mr V had kept up with the monthly payments ever since taking the loan and it wasn't aware of any evidence of financial difficulty. Mr V also had a credit card and overdraft with HSBC and they had also been maintained within their credit limits at all times.

Our investigator didn't think the complaint should be upheld. Mr V didn't agree, and asked for it to be reviewed by an ombudsman.

## **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.

In deciding whether to lend, HSBC was required to consider whether the loan would be affordable and sustainable for Mr V. To consider this, it should have carried out proportionate checks of his circumstances and application – there are no specific prescribed set of checks, and what's proportionate depends on the individual case, taking into account factors such as the amount borrowed, the length of the term and the cost of repayments.

In this case, Mr V told HSBC that his income was £36,500 per year. HSBC was able to verify this because Mr V also had a current account with HSBC that his wages were paid into.

HSBC also carried out a credit check – both to consider creditworthiness, and to check Mr V's expenditure on his existing credit commitments. It noted that he had a total of £22,000 in other unsecured debt at the time, across several accounts. He was up to date with all his commitments and there were no defaults or recent missed payments.

HSBC didn't consider Mr V's own expenditure. Instead, it modelled expenditure based on statistical data of typical household expenditure for households of Mr V's type. This is something expressly allowed for in the regulator's responsible lending rules, so I don't think

this was an unfair approach to have taken.

Having done all this, HSBC calculated that Mr V had a disposable income of around £523 per month – as the loan repayments were £189, it considered that the loan was affordable for him. And there was nothing on his credit file, or in the other information HSBC held about him, which suggested the loan wouldn't be sustainable for him.

I'm satisfied that the checks HSBC carried out – verifying income and credit commitments, and modelling other expenditure – were proportionate to the type of lending Mr V applied for.

I've also thought about whether HSBC made a fair and reasonable lending decision, in particular in concluding that the lending was affordable for him.

As I say, HSBC used modelled household expenditure. It then used half of the modelled total as Mr V's expenditure. It did this on the basis, it says, that Mr V told it he was married when he completed the application. So it concluded that he would be responsible for half of the total household expenditure.

Mr V disputes this. He says he was separated at the time. He says that he didn't tell HSBC that he was married, and that in taking into account only half of household expenditure, it underestimated his actual costs as someone living alone – meaning it wrongly concluded the loan was affordable.

Unfortunately HSBC hasn't kept a copy of the actual application Mr V completed. So I can't definitively verify what he said. But it has a record in its system of the answers it collected from Mr V's application, which is noted as having been made at the time. This does say that Mr V is married. On balance, I'm persuaded that it's more likely than not that Mr V did describe himself as married on the application, and so it was reasonable for HSBC to proceed as if he was.

I've then thought about whether, in light of that, it was reasonable for HSBC to deal with expenditure in the way it did. I think it's questionable to assume that Mr V is responsible for half the household expenditure if he is married without also asking about the income of his spouse – if the spouse is not working, then all expenditure would need to come out of Mr V's income, whereas if the spouse earns more than Mr V, he might need to pay less than half, for example.

However, in this particular case I don't think that made any difference to the outcome. The modelled expenditure HSBC used (excluding housing costs and credit commitments) was £248 per month. This left Mr V with a disposable income of £523, or £334 after taking account of the HSBC loan repayment.

If HSBC had used single person household expenditure instead of 50% of two person expenditure, the figure would have been higher than £248 – but lower than 100% of two person expenditure. And even if it had used 100% of two person modelled household expenditure, the loan would still have been affordable - £248 x 2 is £496; that would leave a disposable income of £275, or £86 after the HSBC repayment. This is an underestimate, as not all the modelled expenditure would be household expenditure of which only 50% was considered.

For that reason, even though I think there were problems with HSBC's approach to assessing expenditure, I'm not satisfied that the lending has been shown to have been unaffordable. Even if it hadn't assumed that Mr V was only responsible for 50% of household expenditure, his application would still have passed the affordability assessment. I think it's also relevant to note that Mr V hasn't missed any payments since the loan was taken out,

and nor (other than this complaint) has he been in touch with HSBC to say that the loan is causing him difficulties.

I've also thought about whether the relationship between HSBC and Mr V was, or became, unfair as a result of the lending decision. But for the same reasons I've given, I'm not persuaded that it was or did.

For all those reasons, I'm satisfied that HSBC didn't lend irresponsibly, and so I don't uphold this complaint.

### **My final decision**

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr V to accept or reject my decision before 10 March 2025.

Simon Pugh  
**Ombudsman**