

## **Complaint**

Mr T has complained about a credit card HSBC UK Bank Plc (trading as “First Direct”) provided to him.

He says he shouldn’t have been provided with a credit card which had such a large credit limit given his existing debts.

## **Background**

Mr T has also complained about loans and overdrafts which First Direct provided to him. However, we’ve told him that we’re looking at those complaints separately and this decision is solely considering Mr T’s complaint about his credit card.

First Direct provided Mr T with a credit card with a limit of £8,000.00 in September 2023. The credit limit on the card was never increased.

One of our investigators reviewed Mr T’s complaint and thought that First Direct shouldn’t have provided this credit card to Mr T. So she recommended that Mr T’s complaint be upheld.

First Direct disagreed with our investigator’s assessment of the case and asked for an ombudsman to look at the complaint.

## **My provisional decision of 16 December 2024**

I issued a provisional decision – on 16 December 2024 - setting out why I was not intending to uphold Mr T’s complaint.

In summary, I wasn’t intending to uphold Mr T’s complaint because I was satisfied that proportionate checks would not have shown First Direct that the credit card was unaffordable for Mr T and so it wasn’t unreasonable to lend.

## **The parties’ responses to my provisional decision**

Neither First Direct nor Mr T responded to my provisional decision or provided anything further for me to consider.

## **My findings**

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

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mr T’s complaint.

Having carefully considered everything, including what has happened since my provisional decision, I’m still not upholding Mr T’s complaint. I’ll explain why in a little more detail.

First Direct needed to make sure it didn't lend irresponsibly. In practice, what this means is First Direct needed to carry out proportionate checks to be able to understand whether Mr T could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

First Direct says it agreed to Mr T's application after it obtained information on his income and carried out a credit search. And the information obtained indicated that Mr T would be able to make the monthly repayments due on a credit limit of £8,000.00.

On the other hand, Mr T says that he shouldn't have been lent to given his existing debts at the time. I've considered what the parties have said.

What's important to note is that Mr T was provided with a revolving credit facility rather than a loan. And this means that First Direct was required to understand whether a credit limit of £8,000.00 could be repaid within a reasonable period of time, rather than all in one go. It's fair to say that a credit limit of £8,000.00 required reasonably sized monthly repayments, rather than the whole amount to be paid in one go, in order to clear the full amount owed within a reasonable period of time.

I appreciate that Mr T doesn't agree with this. But in my view First Direct did obtain a reasonable amount of information before it decided to proceed with Mr T's application. And this information does appear to suggest that the repayments required to repay £8,000.00 were affordable for Mr T.

From the information provided, I can see that First Direct carried out a credit check. This credit check did not indicate that Mr T had had any significant recent difficulties repaying credit – such as defaulted accounts or county court judgements ("CCJ") – recorded against him. Furthermore, while Mr T had active unsecured debt balances of approaching £23,000.00 at the application – I don't agree with our investigator's conclusion that this was excessive compared to Mr T's income of £55,000.00 at the time.

Nonetheless, I do accept that the amount being lent meant that it would have been reasonable and proportionate for First Direct to have found out a bit more about Mr T's regular living costs before offering him a credit card with an £8,000.00 credit limit. As I can't see that this was something that First Direct did do, I don't think that it carried out reasonable and proportionate checks before providing this credit card to Mr T.

That said, having looked at Mr T's account statements, I'm not persuaded that he had substantially higher regular non-discretionary living costs than what First Direct believed at the time of his application. Indeed, Mr T's statements show a number of transfers to other accounts and payments to other individuals. While Mr T says that the payments to other individuals were to pay back funds he owed, First Direct simply wouldn't have known this.

I say this while mindful of the fact that the other information First Direct did have, which I've set out above, suggested that Mr T wasn't in a difficult financial position either. And this is

without even counting the savings Mr T would make as a result of the 0% interest promotional balance transfer rate on his new First Direct credit card either.

In these circumstances, it's difficult for me to conclude that First Direct would have found out that Mr T would be placed in a worse position, at this time, even if it had tried to find out more about Mr T's regular living costs before taking the decision to offer him this credit card.

I know that Mr T has also referred to his overdraft usage. But I don't think that his use of a financial product, which he had an agreement to use, in itself meant that he shouldn't have been provided with this credit card. For the sake of completeness and with a view to providing Mr T with some reassurance, it may help for me to explain that Mr T's overdraft complaint will cover whether he ought to have been allowed to use that facility in the way that he did.

However, I don't think that any arguments in relation to Mr T's overdraft usage are as relevant in the context of this complaint. And more importantly, I don't think that these arguments are a reason for this complaint being upheld.

In reaching this conclusion I've also considered whether the lending relationship between First Direct and Mr T might have been unfair to Mr T under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I'm satisfied that First Direct did not irresponsibly lend to Mr T or otherwise treat him unfairly. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

So overall while I'm sorry to hear that Mr T has found making his credit card payments a struggle, I don't think that First Direct treated Mr T unfairly or unreasonably when providing him with his credit card. And I'm not upholding this complaint.

I appreciate this will be very disappointing for Mr T – particularly as the investigator, albeit erroneously, suggested that the complaint should be upheld. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

Although I'm not intending to uphold Mr T's complaint, I would remind First Direct of its continuing obligation to exercise forbearance and due consideration, given what Mr T has said about having difficulty making his payments. I note that First Direct has already provided Mr T with breathing space however a longer-term solution may need to be found

I would also encourage Mr T to get in contact with and co-operate with any steps that may be needed to review what he might, if anything, be able to repay going forward. Mr T may be able to complain to us – subject to any jurisdiction concerns – should he be unhappy with First Direct's actions in relation to exercising forbearance.

### **My final decision**

For the reasons I've explained above and in my provisional decision of 16 December 2024, I'm not upholding Mr T's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 3 February 2025.

Jeshen Narayanan

**Ombudsman**