

## **The complaint**

Mr C complains that HSBC UK Bank plc irresponsibly lent him a personal loan.

## **What happened**

In October 2018 Mr C took out a loan of £15,000 with HSBC over a term of five years at an annual interest rate of 7.9%. The monthly repayments were £307.05.

In March 2024 Mr C complained to HSBC through a representative. He said that HSBC hadn't done enough checks to ensure he could afford the loan before it lent to him. HSBC said it had carried out appropriate checks before lending and it had no concerns about lending to Mr C.

Mr C referred his complaint to us. Our Investigator found that HSBC couldn't show what checks it had done before lending Mr C the loan, but she said that had it carried out proportionate checks it would have concluded that the loan was affordable and sustainable for Mr C. She didn't recommend that the complaint should be upheld.

Mr C didn't accept that conclusion and his representative asked for it to be reviewed. They said that the Investigator hadn't taken full account of all Mr C's expenditure, such as for fuel, food and emergencies, and she hadn't taken account of a monthly direct debit of around £25.

## **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.

Having done so, I've come to the same overall conclusion as the Investigator did, for much the same reasons.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. I've used this approach to help me decide Mr C's complaint. HSBC needed to make sure that it didn't lend irresponsibly. In practice, this means that it needed to carry out proportionate checks to be able to understand whether Mr C could afford to repay the loan in a sustainable way before providing it to him. These checks could take into account a number of different things, such as how much was being lent, the level of monthly payments and Mr C's income and expenditure and credit history. But there was no set list of checks HSBC had to complete.

HSBC has said that it credit scored Mr C's application before agreeing the loan, and it would have verified the income he declared on his application by considering the credit turnover in his bank account or by using data from a credit reference agency. It has also said that it would have considered some expenditure, such as for rent or a mortgage, as shared if Mr C was married or living with a partner. And it has said it had no concerns about what was on Mr C's credit file or about his ability to afford the loan repayments.

HSBC hasn't been able to provide any evidence of the checks it did. It has said this is because of the time that has since passed and the loan has been repaid, Mr C having made all the monthly payments as agreed so the loan was paid off at the end of the term. It has however been able to tell us that Mr C's loan application was automatically approved and it didn't ask him for any additional information about his income and expenditure before it lent him the loan.

Without any records to support what HSBC has said, I can't fairly conclude that it carried out proportionate checks to confirm that Mr C could afford to repay the loan in a sustainable way. I've therefore considered what HSBC is likely to have found had it done such checks and whether its decision to lend was fair. The most straightforward way to do that is to obtain information from Mr C about his circumstances at the time of his loan application in 2018, including documents such as his bank statements and credit file.

Mr C has provided copies of his bank statements for July, August and September 2018 – the three months leading up to his loan application. They show that his average income was just over £1,350 a month. His essential bills each month, including his mortgage, came to around £620. He was also paying around £430 each month for unsecured debts and insurance; that figure reduced to around £105 each month once some existing debts were repaid by way of the new HSBC loan. Mr C was married with three young children and has said that his wife paid some of the household bills, they both contributed to food, and he paid everything else.

Mr C has also provided a copy of a recent credit file. This doesn't give a full picture of his finances at the time of his loan application in late 2018, but it does show that he had a mortgage, two unsecured loans and two credit cards at the time. All of them have been paid on time since and some have been repaid in full; the larger of the loans was settled by way of the new HSBC loan so Mr C was no longer paying £319 towards it each month.

I've carefully considered all of this, and in the circumstances I don't consider that HSBC's decision to lend Mr C the loan was irresponsible or unfair. The information Mr C has provided indicates that the loan was affordable. The loan reduced his monthly outgoings slightly because he used it to repay some existing debts as intended, and after accounting for other essential expenditure it left him with disposable income each month.

Our Investigator used the three months of bank statements Mr C provided to estimate Mr C's monthly disposable income at around £325 to cover food and any unaccounted for expenses. Mr C's representative says that wasn't enough, the Investigator didn't take account of a £25.03 direct debit in her calculations, and Mr C had said he was spending £500 on food and fuel in 2024.

What Mr C was spending in 2024 isn't the same as what he was spending in 2018 – and I note that there are multiple transactions for what is likely to be food on the 2018 statements he has provided. He has also said that he and his wife shared some expenses, which his representative doesn't appear to have taken into account. In any event, HSBC wasn't required to review Mr C's bank statements or to conduct a detailed income and expenditure analysis before lending. I think that doing so in Mr C's circumstances would have been disproportionate given the amount of the loan, the level of monthly payments and what I've seen about Mr C's income and expenditure at the relevant time and his credit history.

Before lending HSBC had to obtain enough information to enable it to assess whether Mr C would be able to pay the loan without any undue difficulty. While I can't be sure about whether or not it did that, I don't consider that the loan was unaffordable or unsustainable, and I don't therefore find that HSBC acted unfairly in making the decision to lend it to Mr C.

I've also thought about whether considering this complaint more broadly as being about an

unfair relationship under section 140A of the Consumer Credit Act 1974 would lead to a different outcome. But even if it could (and should) reasonably be interpreted in that way I'm satisfied this wouldn't affect the outcome.

### **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 C to accept or reject my decision before 30 May 2025.

Janet Millington  
**Ombudsman**