

## **The complaint**

X's complaint is about a credit card they have with HSBC UK Bank Plc. They have said that HSBC acted irresponsibly in accepting their application and in subsequently increasing the credit limit as they don't think that it did sufficient checks. This was because they were a vulnerable customer with an 'obvious and extreme gambling addiction', which HSBC should have been aware of from the current account they held with it. In addition, it should have been aware that X had been approved for a £5,000 overdraft on their current account on the same day.

## **What happened**

In March 2018, X contacted HSBC regarding their current account with it. I will not detail the purpose of the discussion, other than to confirm that during it they explained that the difficulties they had experienced with the account were due to gambling transactions. They explained that they had not gambled since January of that year and were trying to resolve their finances and get the account back in order. X has told us they placed a gambling restriction on their HSBC debit card in March 2022.

HSBC has said that a gambling restriction could have been done through its banking app, or by contacting it to ask that it be applied. It was unable to confirm when the restriction was placed on the account, so it is likely X added it through the banking app. HSBC also highlighted that this restriction simply stops the card being used for gambling transactions and does not necessarily mean that the customer has a gambling addiction.

In the summer of 2022 X and their family relocated at some distance from their existing home. They experienced a period of financial strain when doing so. X has also told us that they had at that time only recently started recovery from their gambling addiction. Due to their family situation, X decided to make some applications for credit, so that they had access to additional funds if needed.

X applied, and was accepted, for a credit card with HSBC in July 2022. HSBC decided to provide them with a credit limit of £3,000. HSBC increased the credit limit on the account to £3,500 in March 2023.

X also applied for an arranged overdraft on their HSBC current account. HSBC has provided evidence that this application was made the day after the credit card was applied for, and had not been approved when X's credit card application was considered and so could not have been factored into the assessment.

When X applied to HSBC for the credit card it asked them questions about their circumstances. They told it that they were self-employed and had been since 2019, with an income of £50,000 per annum. X confirmed that their net monthly income was £3,000.

HSBC confirmed their income by checking the account turnover information it had about their current account. In addition, HSBC checked X's credit file, which showed that they had two existing credit cards, a personal loan and they had current no CCJs, defaults or arrears. Their overall indebtedness was £8,700, of which £6,550 was revolving credit. HSBC has

confirmed that alongside this, it also completed an affordability assessment, using standardised information and their existing credit commitments to ensure that X had sufficient disposable income to cover any payments they would need to make to the credit card with it.

In early 2023, when the credit limit was increased, HSBC has explained that its process was to complete another credit check and affordability assessment, along with an assessment of how the account had been managed up to that point. The information HSBC had showed that X had revolving credit was £4,667 and they had no recent arrears or defaults and none of their accounts were subject to forbearance measures. The affordability assessment completed by a credit reference agency estimated that X could afford a higher credit limit than HSBC provided. In its submissions, HSBC highlighted that X was given the option of not having the credit limit on their account increased, if they didn't want it.

X has explained to us that once their family situation had stabilised a few months after they applied for the credit card, they no longer needed the credit it provided. However, as they had access to it, they began using it, without really understanding the consequences of doing so, due to their previous dysfunctional relationship with money that their addiction had caused.

Until the autumn of 2023 X made substantial monthly payments to the credit card that were considerably higher than the minimum required. The use of the credit card and the monthly payments reduced significantly around June 2023, although more than the minimum payment continued to be made. By the autumn of 2023 X reduced their payments to around the minimum required, but payments were made every month, and the credit limit was never exceeded.

X complained to HSBC in April 2024 that they believed that the lending was irresponsible as it was unaffordable. They said that they didn't think HSBC had looked into their circumstances correctly before making its decision to accept their application, given they had a poor credit rating and existing credit card debt.

HSBC responded to the complaint in a letter of 30 May 2024. It did not uphold the complaint, as it was satisfied that it had completed appropriate checks before the credit card application had been agreed and the lending was responsible.

X was not satisfied with HSBC's response and referred their complaint to this Service. They explained the situation that had caused them to take out the credit card and their overall circumstances. X confirmed that, having now completed tax returns for the years they were self-employed, 2019 to 2023, they had established their income at the time they applied for the credit card was less than £15,000, rather than the £50,000 they had estimated it was in 2022.

One of our Investigators considered the complaint, but she didn't recommend that it be upheld. She considered that due to X having told HSBC about gambling transactions that had got them into some financial difficulties in 2018, HSBC should have added a vulnerability flag to X's accounts. As such, the Investigator didn't think the checks HSBC did had been proportionate in the circumstances. However, had it done the additional checks, the Investigator was satisfied that HSBC would have found both the initial credit limit and the subsequent increase, would have been affordable and responsible.

X didn't accept the Investigator's conclusions. They said that HSBC should have been aware of their vulnerability and how susceptible they were to financial harm. In light of that, they considered that HSBC should have looked at their financial history over a longer period than it usually would have. X said that they considered HSBC should not have lent to them without absolute certainty that they could afford the credit, that they were in a position to manage the credit and could take on credit without it being a significant risk to their 'obviously fragile mental health'.

X considered that a phone call from HSBC may have stopped them in their tracks and encouraged them to rethink their applications for fresh credit. They also provided us with information about their recovery from their gambling addiction and how having the credit available from the HSBC credit card affected them.

X said that they understood that the information from their bank statements was consistent with the £50,000 income they had told HSBC they had, but that income was scattered all over the place and it is well known that self-employed income can be irregular, therefore they consider that HSBC should have asked for copies of their tax returns for the previous three years. As X had not filed those returns, they believe that this would have shown that they were not on top of their finances and would have cast doubt on the information they had given about their income. Furthermore, given they had only been self-employed since 2019, they didn't think that they had sufficient evidence to assure HSBC that their income would continue.

HSBC didn't respond to the Investigator's conclusions.

As agreement could not be reached, the complaint has been passed to me for consideration.

### **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.

X has explained their circumstances leading up to and during the time they've had their credit card with HSBC, and the effect on them that this matter has had. I understand that this was very difficult for them, and I would like to thank them for their openness.

The Financial Conduct Authority (FCA) sets out in a part of its handbook known as CONC what lenders must do when deciding whether or not to lend to a consumer. In summary, a firm must consider a customer's ability to make repayments under the agreement without having to borrow further to meet those repayments or default on other obligations, and without the repayments having a significant adverse impact on the customer's financial situation.

CONC says a firm must carry out checks which are proportionate to the individual circumstances of each case. What is proportionate will vary with each lending decision and considers things such as (but not limited to): the amount of credit, the size of the repayments, the cost of the credit, the purpose the credit was taken out for and the consumer's circumstances.

I would firstly comment that just because a consumer has historically had financial or other difficulties that have affected their finances, it does not mean that they should never again be offered credit. If that consumer has been able to stabilise their situation and can afford the credit, then it would be inappropriate for a lender to refuse an application simply because there had been a problem in the past.

I have considered the checks that HSBC completed when X applied for their credit card and when it increased the credit limit. In normal circumstances, I think those checks would have been considered proportionate. However, X had made HSBC aware four years earlier that they had got into financial difficulties with their current account due to gambling. In light of that I consider that HSBC should have placed a marker on X's records to flag them as a vulnerable consumer and ensure that it made additional checks if they applied for additional

credit in the future. So, in this case, I am not persuaded that the checks completed before HSBC provided credit were proportionate in this case, due to X's vulnerability. I consider that HSBC should have asked X for more information about their financial circumstances before accepting their application and extending their credit limit.

I note X's comments about this. I am not persuaded that requesting they provide tax returns to verify their income, be that one or several years as they have suggested, would have been proportionate. That level of information would usually only be needed for borrowing large amounts of money over an extended term, such as a mortgage. I would also say the same of the suggestion that their bank statements should have been examined over an extended period. While additional checks should have been done, those X has suggested would not be considered proportionate to the amounts of credit that could have been made available to them, even given their vulnerability.

In relation to X's comment about what might have happened had HSBC called them to discuss their application, I accept that it is possible they may have decided not to continue with the application if this had happened. However, it is equally, and possibly more likely that they would have continued with the application, given the reasons they've explained for the application.

I would also comment that while I don't think that the checks completed were proportionate, that does not automatically mean that it was inappropriate for HSBC to have provided X with credit. I need to decide if HSBC made a fair lending decision.

At the time HSBC accepted X's application for credit they told it they had an income of £50,000. I would say at this stage that a lender is entitled to accept information consumers give it as true and accurate, unless there is good reason not to. Having examined X's bank statements, the money being paid into the account would have supported the income X had suggested, in fact, it would have supported them having an even higher income. The outgoings from the account were also such that HSBC could reasonably have concluded that X had a significant disposable income to support their existing credit commitments and the new amount HSBC provided them with. The credit report HSBC obtained, showed that they were up to date with their existing credit commitments and hadn't had any very recent problems or defaults. There were also no gambling transactions on their bank account in the recent months.

Given the above, I am not persuaded that HSBC acted irresponsibly or unfairly when it accepted X's application for a credit card in 2022.

I now turn to the credit limit increase. HSBC completed its assessment at the end of January 2023 and the new credit limit was applied to X's account March 2023, following X being told about HSBC's proposed increase and them being given the option to decline it.

At that time, X's bank statements again supported that they had an income of at least the amount they had said they had the previous year. While they had an outstanding balance on their HSBC credit card, it had not exceeded its credit limit and X had been making payments to the account of significantly more than they were required to and on time. This would not have indicated that X was having problems managing their account. In relation to their other credit commitments, all of their other accounts were up-to-date and there were no recent payment problems or defaults. In addition, the outgoings showing on their current account would have indicated that they had sufficient disposable income to support all of their credit commitments and the increase to the credit limit. So again, I am not persuaded that HSBC was wrong to increase X's credit limit or that it treated them unfairly.

Overall, while I know that X will not agree, I don't consider that HSBC acted irresponsibly when it accepted their application for a credit card or when it increased the credit limit on the account.

I have also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I have already given, I don't think HSBC lent irresponsibly to X or otherwise treated them unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome.

### **My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask X to accept or reject my decision before 25 April 2025.

Derry Baxter  
**Ombudsman**