

The complaint

Mr G complains that HSBC UK Bank Plc was irresponsible in its lending to him.

What happened

Mr G was provided with three loans by HSBC.

Loan	Date	Amount	Term	Monthly repayments
1	May 2021	£8,000	36 months	£253
2	July 2023	£8,000	36 months	£267
3	March 2024	£11,600	48 months	£292

Mr G thinks that that HSBC should have carried out better checks before providing the loans and had it done so it would have realised that he was spending money gambling and that the loans weren't responsible.

HSBC issued a final response dated 16 September 2024. It said that before lending to a customer it carried out detailed creditworthiness and affordability assessments in line with the requirements. It explained that its assessments used a range of data from the details provided in the application, credit reference agencies and information from any accounts the customer may hold with it. It said that the assessments carried out before lending to Mr G didn't raise any concerns about his ability to make the repayments.

Mr G referred his complaint to this service.

Our investigator didn't uphold this complaint. They assessed each lending decision and while they thought that HSBC should have carried out further checks, they didn't find that these would have shown the loans to have been unaffordable or irresponsible. Therefore, they didn't uphold this complaint.

Mr G didn't agree with our investigator's view. He referred to another complaint that had been upheld by another finance provider and he challenged some of the figures used in the investigator's calculations. He said that HSBC should have been checking his account statements before and after the loans were provided to see how his money was used and that as this would have shown his gambling this should have raised concerns.

Our investigator considered Mr G's comments, but as their view didn't change, this case has been passed to me, an ombudsman, to issue a decision.

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 Mr G has referred to a complaint he had with another finance provider which was upheld. While I understand the comments he has made about this, we treat each case based on its individual merits. When making a decision I take into account all relevant rules, regulations and guidance but my decision will be based on what I consider fair and reasonable given the unique circumstances of the case.

HSBC has said that creditworthiness and affordability checks were carried out before the loans were provided. An overview of the credit information obtained at the time has been provided as well as details gathered about Mr G's income and expenses. Mr G had a bank account with HSBC and so it was able to verify his income against his statements. Therefore, I think that HSBC had sufficient information available to it to be able to understand Mr G's financial circumstances before lending. Given the size of the loans being provided, I would have expected HSBC to fully assess Mr G's circumstances and so I have based my decision on the information that would be gained through such an assessment.

Loan 1: May 2021

When applying for loan one, Mr G declared a personal income of £18,400. This was calculated to give a net monthly income of around £1,271. Having looked through Mr G's bank statements for the months leading up to the loan being provided, these support the declared income figure.

Mr G's credit check didn't raise any concerns about how he was managing his existing credit commitments with no defaults, county court judgments or bankruptcies recorded. His credit file showed Mr G had four active accounts which were all up to date. Mr G's bank statements showed he was making monthly repayments for a credit commitment of around £245 as well as a few regular payments including for power and communications/media contracts. Deducting these amounts would leave Mr G with around £940 to cover the loan repayments as well as his general living costs including his food, fuel and costs of running a car.

While the combined costs of Mr G's existing credit commitments and the HSBC loan repayments meant he would be spending a substantial amount of his net income on his credit commitments, based on the information available, I do not find I have enough to say that the loan repayments should have been considered unaffordable.

Loan 2: July 2023

Mr G made all of his repayments due under loan one on time up to June 2023 when the account was closed. Mr G then took out a further loan in July 2023. While this was Mr G's second loan and was again for £8,000, I cannot say that his previous account history should have raised concerns that the borrowing had been unaffordable for him.

At the time of the loan being provided, Mr G declared an annual income of £22,400 which equated to a monthly net income of £1,511. Having looked through Mr G's bank accounts statements they support an average net monthly income above this amount, around £1,750.

Mr G's credit check didn't raise any concerns about how he was managing his existing credit commitments with no defaults, county court judgments or bankruptcies recorded. His credit file showed Mr G had four active accounts which were all up to date. Mr G's bank statements showed he was making monthly repayments for credit commitments including the previous HSBC loan (which was settled before this loan was provided). Mr G was also paying £620 a month for rent, £124 for council tax and making regular payments for power and communications/media contracts. Deducting these costs would result in Mr G having around £830 to cover the loan repayments as well as his general living costs including his food, fuel and costs of running a car.

Taking into account the loan repayments due and noting that Mr G had maintained his previous loan payments of a similar amount without issues, I do not find that I can say that HSBC should have considered this loan to be unaffordable.

Loan 3: March 2024

Mr G made all of his repayments due under loan two on time up to March 2024 when loan two was settled and loan three provided. Therefore, I cannot say that his previous account conduct raised any concerns. The purpose of the loan was said to be HSBC debt consolidation and I have taken this into account.

Mr G declared an annual income of £22,400 giving a net monthly income of around £1,527. This amount is supported by his bank statements. Mr G was making regular payments for his rent, council tax, utilities and communications/media contracts which averaged around £890 a month.

Mr G's credit check showed that he had around £10,900 of unsecured debt which was a higher amount than when he had applied for the previous loan. However, as this loan of £11,600 was intended to consolidate his previous HSBC loan I have taken that into account. Mr G was making frequent cash withdrawals from his account but without further evidence as to what these were for, I cannot say that they needed to be considered as essential spending or should have raised other concerns. Taking everything into account, I do not find that I have enough to say that HSBC should have been concerned that Mr G was struggling at the time the loan was provided or that the loan wouldn't be affordable for him.

While I note Mr G's comment about gambling, I do not find there is sufficient evidence in the bank statements before the loans were provided to say that HSBC should have realised that providing the loans would be irresponsible.

I've also considered whether HSBC acted unfairly or unreasonably in some other way given what Mr G has complained about, including whether its relationship with Mr G might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think HSBC lent irresponsibly to Mr G or otherwise treated him 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 here.

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 Mr G to accept or

reject my decision before 24 April 2025.

Jane Archer
Ombudsman