

## **The complaint**

Mr B complains that an error made by HSBC UK Bank Plc (HSBC) resulted in adverse impact to his credit rating.

## **What happened**

Mr B took out a credit card with HSBC on 14 July 2024.

On 5 January 2025, he requested a credit limit increase via internet banking, which was declined.

Mr B queried the rejection via LiveChat on 27 January 2025 and was advised it had been automatically rejected as the account needed to be open for six months before the limit could be increased. HSBC told Mr B he could reapply in February and the limit increase would be applied. As six months had passed by that point, Mr B asked for the decision to be reviewed. HSBC continued to explain Mr B needed to apply again in February, as it wasn't possible to review an automatic rejection before January had passed.

Mr B raised a complaint about the service provided. He explained he wasn't complaining about the outcome of the lending decision itself, but that HSBC refused to refer it to the relevant team for review.

HSBC said Mr B's application for a limit increase was rejected due to adverse credit scoring, but because of a system error he'd been allowed to apply within six months of his account opening. They also said he'd been misadvised about applying again in February 2025, as he should've been told to wait between three to six months before applying again. To put things right, HSBC removed the hard search from his credit file and offered £75 compensation as an apology.

Unhappy with HSBC's response, Mr B referred his complaint to this service. In summary, he said HSBC's error negatively impacted his credit score and delayed him from applying for credit he was relying on for wedding-related expenses. So, £75 compensation doesn't fairly reflect the significant financial and emotional impact caused.

Our Investigator reviewed matters and said what HSBC had done to put things right was fair, and £75 was proportionate to the impact caused by their mistake. Mr B didn't accept our Investigator's findings as he believed HSBC's system error negatively impacted his credit score causing significant and ongoing impact on his life.

As no agreement has been reached, the matter has been passed to me to decide.

## **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 considering what is fair and reasonable, I've taken into account the relevant industry rules and guidance, and what would be considered as good industry practice.

It's unclear from the evidence available what happened to allow Mr B to process a limit increase application prematurely. But HSBC have taken responsibility for an error, so I don't need to decide that aspect – I just need to consider whether their offer is fair.

As this service is not the regulator, I cannot fine or punish HSBC for the mistake they made. But I can consider the impact the error caused Mr B – so this is what I've thought about.

When Mr B applied for the credit limit increase, a review of his credit file (hard search) was conducted. This isn't considered as adverse information, and the decline itself wouldn't have been reported. However, the hard search would show lenders that an application for credit had been made and when.

It's widely recommended that consumers wait around six months in between credit applications – as multiple hard searches within a short space of time can be perceived negatively by potential lenders. However, this doesn't mean that Mr B couldn't apply for credit elsewhere during this time, or that HSBC's hard search resulted in Mr B being unable to obtain credit. Multiple considerations are made by lenders following an application for borrowing.

By removing the hard search from Mr B's credit file, I'm satisfied HSBC put him back into the position he would've been in had the application not gone through. This was agreed just over three weeks after it took place, and HSBC said it could take up to 28 days to be actioned. I haven't seen any evidence of the error resulting in financial loss during this time, or that Mr B was unable to access credit he would've obtained had the error not happened. I'd also note on 27 January 2025, Mr B told HSBC:

*"I don't even want to increase the limit anymore as I got another credit card from another bank already."*

This suggests Mr B was able to obtain credit elsewhere after the hard search was recorded on his credit file on 5 January 2025. So, I don't find HSBC allowing Mr B to process an application that was guaranteed to decline automatically, prevented Mr B from obtaining credit elsewhere.

It's not disputed that Mr B was misadvised his limit increase would go through if he applied again the following month. However, Mr B didn't reapply in February, so I can't say this resulted in him taking action that negatively impacted his credit file. And as HSBC later removed the hard search from January as though that application never happened, the recommended timeframe before applying again was no longer relevant.

I accept Mr B was caused some distress and inconvenience by HSBC's failings here and understand the impact to his credit file would've been concerning. But given this was promptly resolved within three days of Mr B raising his complaint, I'm satisfied £75 compensation fairly reflects the short-term impact caused. And in the absence of any evidence to support financial loss or detriment, I can't agree that HSBC should increase the compensation to a higher amount.

### **My final decision**

For the reasons set out above, I don't uphold Mr B's complaint about HSBC UK Bank Plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or

reject my decision before 26 June 2025.

Nicola Bastin  
**Ombudsman**