

The complaint

Mr S complains that HSBC UK Bank Plc was irresponsible in its lending to him. He wants all interest and charges he has paid refunded, and the loans removed from his credit file.

What happened

Mr S was provided with three loans by HSBC, the details of which are set out below.

Loan	Date	Amount	Term	Monthly repayments
1	July 2020	£7,000	50 months	£149.90
2	September 2020	£12,000	50 months	£256.98
3	May 2021	£18,300	57 months	£374.13

Mr S said that he took out the first loan to help pay his bills. He then started gambling heavily and that his statements would have shown this when he applied for a second loan in September 2020. He said he then applied for a £17,000 loan later that month with another finance provider and applied to HSBC for a further loan of £18,000 in May 2021. Mr S said that even though he was still gambling heavily this was approved. Mr S said that adequate checks weren't carried out before the loans were provided and that as HSBC had access to his bank accounts it would have seen his gambling.

Mr S said that the HSBC loans had enabled him to gamble for longer and increased his outgoings to a point where he defaulted on another loan. He explained that he made the payments due on his HSBC loans but his statements clearly showed he was struggling. He believes that given the access HSBC had to his statement it would have been aware that he was spending around 50% of his income on gambling and that providing him further credit wasn't responsible.

HSBC issued a final response to Mr S's complaint dated 28 August 2024. It said that before the loans were provided Mr S's applications were credit scored and credit checks were carried out. It said he met its lending criteria. It noted that all the loans were repaid which it said evidenced they were affordable. Regarding Mr S's gambling, HSBC said that he hadn't made it aware of this before the loans were provided and noted that Mr S's accounts were always in credit and it didn't consider his gambling transactions prolific. It didn't accept that Mr S's gambling was causing him financial difficulty.

Mr S didn't agree with HSBC's response and referred his complaint to this service.

Our investigator thought the checks HSBC carried out before providing the loans were proportionate. As these suggested the loans to be affordable for Mr S, she didn't uphold this complaint.

Mr S didn't agree with our investigator's view. He reiterated the large amount of debt he had taken on within a short space of time and noted this was clear from his credit report. He said his account with HSBC showed his gambling. Mr S thought that given he took out three loans with the last being for over £18,000, more thorough checks should have taken place.

As a resolution hasn't been agreed, this complaint 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.

HSBC provided Mr S with three loans between July 2020 and May 2021. I have considered each of these lending decisions.

Loan one: July 2020.

Mr S was provided with a £7,000 loan repayable over 50 months. The purpose of the loan was recorded as a new vehicle. The monthly repayments were around £150.

Before the loan was provided, HSBC gathered information about Mr S's income and verified this using his HSBC bank statements. Having looked through Mr S's bank statements for the months leading up to loan one, these show income above the amount declared and so I find it reasonable that the declared income was used in the affordability assessment.

A creditworthiness assessment was carried out and HSBC said that Mr S was identified as being low risk. The credit check results HSBC has provided show that Mr S had £6,700 of unsecured debt and no recorded defaults or county court judgements. The external credit data didn't identify any missed payments, and the internal data showed one missed payment on a credit card.

Having considered the credit data received, I do not find that this suggested Mr S was struggling to manage his existing commitments. His existing debts didn't suggest he was overindebted. As HSBC had access to Mr S's other accounts, I think it reasonable it reviewed his activity on these. Having looked through Mr S's HSBC bank account statements for the months leading up to loan one, I do not find that these showed any signs of financial difficulty. Mr S had a credit balance, and his income was above his outgoings.

Given the size of the loan repayments compared to Mr S's monthly income and noting his other commitments and his credit check results, I think the checks undertaken before the loan was provided were proportionate. As these didn't suggest that Mr S would struggle to make the loan repayments, or raise any other concerns, I do not find I can say that HSBC was wrong to provide loan one.

Loan two: September 2020

Loan two was provided a couple of months after loan one. The loan was used to settle loan one as well as provide additional funds which were said to be for home improvements. Loan two was for £12,000 and so increased Mr S's borrowing by around £5,000. The monthly repayments were also higher than due under loan one, at around £257.

As with loan one, Mr S's income was verified using his HSBC bank account statements and a credit check was carried out. Having looked through Mr S's bank account statements for the months leading up to loan two, these support Mr S's declared income of £2,578 a month. Mr S's credit check didn't raise any concerns and his total unsecured debt had declined slightly since his previous loan application. There were not indicators that suggested Mr S was struggling to manage his existing commitments and I do not find the credit results suggested he was over indebted. Given this and noting the amount of disposable income HSBC identified in its calculations I think the information gathered before the loan was provided were proportionate.

As Mr S's bank statements were available for HSBC to see, I have looked through these to understand his actual expenses at the time. I note he was making payments towards communication / media contracts, insurances, car related costs, credit commitments and other general expenses. Additionally Mr S transferred amounts to another account for his food and bills. Taking all of this into account, I do not find this suggested that loan two would be unaffordable for Mr S.

Mr S has said that he started to gamble heavily around the time of loan one and that his statements showed this. While I can see that Mr S did spend on gambling sites, I do not find this was such in the months leading up to loan two that HSBC should have flagged this. Mr S didn't disclose an issue with gambling and based on the evidence available at the time, I do not think that HSBC was required to ask further questions regarding this.

So, for the reasons set out above, I do not uphold this complaint in regard to loan two.

Loan three: May 2021

Loan three was provided around eight months after loan two. Loan three was used to repay loan two and also provide additional funds which were noted as being for a motor vehicle. Mr S had made the payments due on loan two up to the settlement on time and in full. Therefore, I cannot say that his account management raised concerns. That said, this was Mr S's third loan in less than a year. Each loan increased his borrowing and repayments and I also note this was the second loan he had said was for a motor vehicle. Given this I think that HSBC needed to ensure that it had a clear understanding of Mr S's financial circumstances before lending to him.

As with the other loans, Mr S's income was checked against his bank statements. I find this verification reasonable and accept that the bank statements support Mr S's declared monthly income amount of £2,710. Mr S's credit check results showed his unsecured borrowing had increased to £28,300. While the rest of his credit check didn't raise any concerns about how he was managing his commitments, and I do not find this increase alone meant that further lending shouldn't have been provided, I think this further supported the need to get a clear picture of Mr S's situation before lending.

HSBC has explained the data used in its affordability checks but given it had access to Mr S's bank statements and noting his increased borrowing and this being his third HSBC loan, I have also looked through Mr S's bank statements to see if these raised any concerns.

For the months leading up to loan three, Mr S's bank statements didn't show signs that Mr S was in financial difficulty. He had a credit balance and no issues with his payments. His

outgoings for costs such as telecommunications /media contracts, insurances, other credit commitments, general living costs as well as his transfers for his food and bills were less than his monthly income and allowed sufficient disposable income to meet the loan three repayments.

Given Mr S's comments about his gambling I have looked through his accounts to see if HSBC should have identified this as an issue. While Mr S was making gambling transactions, I do not think these were at a level that meant HSBC should have identified this. Looking back through Mr S's account these do not suggest he used the loan proceeds to gamble. Therefore, I do not find I can say that HSBC should have been reasonably aware that this was an issue for Mr S.

Based on the above, and for the reasons I have set out, I do not find I can say HSBC was wrong to provide the loans to Mr S.

I've also considered whether HSBC acted unfairly or unreasonably in some other way given what Mr S has complained about, including whether its relationship with Mr S might have been viewed as unfair by a court 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 S 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 S to accept or reject my decision before 26 May 2025.

Jane Archer
Ombudsman