

## **The complaint**

Mrs B, via her husband who is acting as her representative, has complained that HSBC UK Bank Plc, acted irresponsibly when it provided her access to multiple forms of credit.

Mrs B applied for a credit card, two loans and an overdraft facility from HSBC. This decision will only consider what happened in relation to the credit card provided to Mrs B.

## **Background**

Mrs B applied for a credit card with HSBC in July 2021. That application was approved, and she was given a card with an opening limit of £1,000. In January 2022, Mrs B requested a limit increase to £1,500 which was approved. The limit was then increased again, following another request from Mrs B, in September 2022 to £2,500. The final limit increase was requested by Mrs B in December 2023 to £3,500.

Mrs B's husband has explained that between July 2023 and March 2024 Mrs B began to gamble in a compulsive and harmful way. As a result of her spending during this time she amassed approximately £15,000 of debt, of which almost £11,00 was the result of various forms of credit provided by HSBC. He believes that the bank ought to have realised his wife had become financially vulnerable and was gambling in a harmful and compulsive way. He's asked that HSBC refund all the interest, charges and capital borrowed by his wife during this period.

HSBC says that at the time Mrs B applied for the credit card, and for each subsequent limit increase, it ran all the necessary checks to ensure it was both affordable and sustainable for her. It has said that there was no evidence that she was struggling to meet her existing financial obligations or that the increase to additional credit would be unmanageable for her, so it didn't think it had done anything wrong and didn't uphold her complaint.

Unhappy with the response from the bank Mrs B brought her complaint to our service.

I issued a provisional decision on 27 March 2025. In it I found that while the account opening and first two limit increases were likely appropriate, by the time the final limit increase happened in December 2023, HSBC ought to have realised Mrs B was becoming overly reliant on credit. So, I thought it should have asked for more information before increasing her limit further. If it had done so I said it was likely it would have realised Mrs B was gambling in a harmful way and refused to increase her limit further. So, I upheld her complaint from that point and said I intended on asking HSBC to rework the account as though the final increase didn't happen and pay her £500 compensation for the distress caused by its inappropriate lending decision.

HSBC accepted the findings of the provisional decision, but Mrs B's representative didn't. In essence he said that the bank ought to have realised by August 2023 that Mrs B was gambling in a compulsive and harmful way and shouldn't have provided her any more credit after that time. He asked that I consider increasing the amount of compensation awarded.

## **My findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I'd like to thank Mrs B and her representative for their submissions and assure them that I've taken everything into consideration. I'd also like to clarify that I was the deciding ombudsman on Mrs B's complaint about her loan as they've sought reassurance that the ombudsman is aware of everything that was happening at the time.

However, I can only consider each lending decision as they happened, and what the bank ought to have realised each time Mrs B applied for more credit. Given Mrs B applied for her credit card in 2021, and the first two increases took place in 2022, all before her gambling spend increased to unmanageable levels, I can't say the bank was wrong to approve these increases. But I do agree that by the time the final increase happened in late 2023, the bank should have been aware that Mrs B's compulsive spending was causing her problems. And it shouldn't have given her access to more credit at that time. Which is why I'm upholding her complaint from that point.

Therefore, given neither party has provided me with additional new information to consider, and, given I'm upholding Mrs B's complaint from the point her representative also agrees her gambling was causing clear issues, my findings remain the same as they did in my provisional decision. For the sake of clarity, I will repeat those findings here.

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, the total cost of the credit and what it knew about the consumer at the time of application.

In order to establish whether or not HSBC completed sufficient checks when providing Mrs B with the credit card, and subsequent limit increases, I'll look at each lending decision in turn.

### Account opening July 2021

Mrs B applied for the credit card in July 2021. She was employed full time and had a very small amount of existing debt. The opening limit was set to £1,000 and HSBC calculated Mrs B had a monthly disposable income of approximately £600 which would make the minimum payments due each month affordable for her. It's also worth noting that at this point in time Mrs B wasn't gambling in a harmful way.

So, having reviewed everything available to the bank at the time I think it's likely the checks it ran were sufficient and the lending decision it made, when it approved the card for Mrs B in July 2021, was appropriate and so I don't think the bank made an error when it approved the initial lending application.

### First limit increase January 2022

Mrs B applied for a limit increase from £1,000 to £1,500 in January 2022, some six months after opening the account. Looking at the information from her credit file, her existing debt had increased but remained very low. She was still working full time and her disposable income had increased to just under £700.

In addition to that throughout the time she'd had the card Mrs B was making her monthly payments on time and managing the card well, staying within its limit.

So, I don't think there was anything to indicate the card was causing her any problems or that the increase, which was relatively low, would become unmanageable. So, I don't think HSBC were wrong to approve the request at this point in time.

#### Second limit increase September 2022

When Mrs B applied for the second limit increase, three months after the previous one, the information on her credit file was much the same. She still had a small amount of existing debt and approximately £700 of disposable income each month.

However, looking at her account usage it does seem as though Mrs B had started to use her card in an unusual way and was being charged for a lot of non-sterling transactions.

However, these transactions appear to be varied, and if they were linked to gambling, it's not immediately apparent that was the case. And I note that throughout this time Mrs B was maintaining her card well, often repaying the full amount due each month. So, while there were some months with a lot of non-UK transaction fees there were no signs that the card was being misused or that Mrs B was struggling to maintain it. So, I don't think HSBC was wrong to approve the application for a limit increase in September 2022.

#### Final limit increase December 2023

By the time Mrs B applied for the final credit increase on her account in December 2023, her use of credit, both with HSBC products and other credit providers, had started to change.

In June that year she'd applied for loan with HSBC only to consolidate that into a larger loan with the bank in September 2023. In July 2023, in between the first and second loan she'd taken with the bank, she'd applied for another loan elsewhere. In addition to those loans, she'd also taken out another credit card with another provider, that had a £3,300 limit in September 2023. And in October 2023, she'd been approved for a £2,000 overdraft facility on her HSBC current account.

So, given Mrs B had applied for three loans, a second credit card with a higher limit than the one she already had, and a £2,000 overdraft facility in the six months before applying for this final credit limit increase, I think there were clear indicators by December 2023 that she was becoming reliant on credit in a way she'd not been before. And I think HSBC should have asked more questions to understand how she was managing her finances overall, before approving the final credit limit increase.

While there are no fixed checks that businesses have to do before approving applications for credit, given Mrs B held her main current account with HSBC, and it had access to it, I think it should have reviewed the account activity to understand why Mrs B needed access to so much additional credit in such a short space of time. And if it had, I think it would have been apparent that Mrs B was gambling in a compulsive and harmful way.

Looking at Mrs B's bank statements in the three months prior to the December lending decision it is clear she was spending compulsively. She was only granted the overdraft facility in October and almost immediately used all of the funds available to her on gambling websites. Her account was overdrawn for a lot of October and remained overdrawn throughout almost all of November. In the day before she applied for the credit card limit

increase, Mrs B made 20 individual £100 betting transactions, totalling £2,000 to a gambling website. This was the equivalent of her entire overdraft facility and more than her average monthly take home pay. And while the credit card itself was being maintained at the time I think it was clear, from all of the information the bank had available to it through her credit file and current account, that Mrs B was starting to lose control of her finances and that access to more credit would likely lead to her experiencing financial harm.

Which means I think HSBC was wrong to approve the final credit limit increase for Mrs B and I intend on upholding her complaint from that point.

The standard redress for complaints for irresponsible lending would be to ask the business to rework the credit card account as though the limit increase hadn't happened and refund Mrs B the additional interest and charges added above a £2,500 limit, which is what I will direct the bank to do. However, in this case I think that had HSBC properly reviewed the information available to it before approving the lending request it would have realised that giving Mrs B access to additional credit would cause her financial harm. So, I am also asking it to pay her £500 compensation in recognition of the harm and distress caused by its inappropriate lending decision.

I know Mrs B's representative believes this should be a higher amount as Mrs B has been left with a large amount of gambling related debt to clear. However, the purpose of this service isn't to punish businesses. Instead, we try to establish whether something went wrong and if it did put the customer back in the position they would have been in if that error hadn't happened. In Mrs B's case I don't think the bank was wrong to approve her card, or the initial increases. So, I can't say it ought to have removed the facility from Mrs B in 2023. But I do think it was wrong to increase the limit and this is reflected in what I'm asking the business to do to put it right.

Finally, I've also considered whether HSBC acted unfairly or unreasonably in some other way, including whether its relationship with Mrs B might have been viewed as unfair by a court under s.140A Consumer Credit Act 1974. However, having considered everything currently available to me, I've not seen anything that makes me think this was likely to have been the case.

### **Putting things right**

In order to put things right HSBC UK Bank Plc should:

- Rework Mrs B's credit card account removing all interest and charges that have been applied to any balance above £2,500 from December 2023. Any refund should be applied to reduce Mrs B's outstanding balance. In event the refund results in an overpayment, this should be refunded to Mrs B along with 8% simple interest\* per year calculated from the date of each overpayment to the date of settlement.
- Remove any adverse information recorded about Mrs B's credit card account from December 2023.
- Pay Mrs B £500 compensation in recognition of the distress caused by its irresponsible lending decision

\*HM Revenue and Customs may require HSBC to take off tax from this interest. If it does, HSBC must give Mrs B a certificate showing how much tax it's taken off is she asks for one.

**My final decision**

For the reasons set out above, and in my provisional decision of 27 March 2025, I partially uphold Mrs B's complaint against HSBC UK Bank Plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 22 May 2025.

Karen Hanlon  
**Ombudsman**