

The complaint

Mr A complains that HSBC UK Plc lent to him when he could not afford it. And Mr A complains as to how they treated him when he was issued with a default.

What happened

Mr A applied for a £10,000 Graduate Loan in October 2018. This was due to cost him £250.33 a month for 60 months. The total to pay was £15,019.55. The first repayment date was scheduled to be 1 December 2018.

Mr A has told us that he gambled and had a serious health condition which in turn had led to complex mental health problems. I was sorry to read of these.

'I banked with HSBC at the time and they had access to my current account, they'd have had access to see I'd spent my very limited pay carelessly yet still lent me a substantial sum of money for no real reason.'

Mr A complains that HSBC defaulted the account during the pandemic despite it being aware that under orders from the Government due to his health condition, he had to remain at home and not leave the building for work. He received a default on the loan account in March 2021. He said HSBC:

'...were completely unwilling to make reasonable adjustments to prevent that. Under the equality act they of course have a statutory duty to make reasonable adjustments to avoid discrimination, they did not do this.'

After Mr A's complaint (from September 2024) had been referred to the Financial Ombudsman Service, one of our investigators considered – initially - that the complaint should be upheld. The main reason was the money left over to Mr A after paying all costs and credit commitments would not have left him with enough to get out of his overdraft.

On the other points about which Mr A had complained - HSBC's lack of support during the Covid 19 pandemic and that HSBC did not make reasonable adjustments to accommodate him - our investigator reviewed what she had. Mr A claims that he was discriminated against but our investigator said that HSBC had no notes of being aware of these vulnerabilities (gambling and special need for shielding) and so our investigator was not satisfied that it was required to have done more.

HSBC disagreed with our investigator's view relating to the lending. It said that the affordability assessment should be based on Mr A's financial circumstances when he applied for the loan in October 2018: not in 2020. Our investigator looked again at the complaint and a second view was that HSBC had not lent irresponsibly. Our investigator's views on the other points Mr A had complained about had not altered.

Mr A disagreed. He said:

- he was on a zero hours contract at the time
- He disagreed that use of averaged figures to justify affordability reflected properly the instability and volatility of his income at the time
- And our investigator's failure to meaningfully engage with the discrimination issues he'd raised – particularly the impact of being shielded under COVID-19 guidance –

remained unacceptable.

After I had reviewed the complaint and considered the vulnerability and discrimination points in a lot of detail, I asked both Mr A and HSBC for some more information. This was sent to me by both parties. Then I issued a provisional decision on 22 August 2025. That is duplicated here for ease of reading.

What I provisionally decided on 22 August 2025 – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. We have set out our general approach to complaints about unaffordable/irresponsible lending - including all the relevant rules, guidance and good industry practice - on our website. The relevant regulations were formulated in the Consumer Credit Sourcebook (CONC) created by the Financial Conduct Authority (FCA). It altered the wording, but not the rationale, of CONC in November 2018. I have reviewed the wording in CONC applicable in October 2018 as this loan was approved then.

The rules and regulations in place required HSBC to carry out a reasonable and proportionate assessment of Mr A's ability to make the repayments under the loan agreement. This is referred to as an "affordability assessment" or "affordability check".

CONC contains rules and guidance in relation to the factors that should be taken into account when deciding how much information is sufficient for the purposes of the creditworthiness assessment, what information it is appropriate and proportionate to obtain and assess, and whether and how the accuracy of the information should be verified.

The checks had to be "borrower-focused", so HSBC had to think about whether repaying the loan would be sustainable. In practice this meant that the HSBC had to ensure that making the repayments on the loan wouldn't cause Mr A undue difficulty or significant adverse consequences. That means he should have been able to meet repayments out of normal income without having to borrow to meet the repayments, without failing to make any other payments he had a contractual or statutory obligation to make and without the repayments having a significant adverse impact on his financial situation.

In other words, it wasn't enough for HSBC to approach the loan application from the perspective of the likelihood of getting its money back. HSBC had to consider the impact of the loan repayments on Mr A. Checks also had to be '*proportionate*' to the specific circumstances of the loan application.

In general, what constitutes a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the particular circumstances of the Mr A (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they are seeking. Even for the same customer, a proportionate check could look different for different applications. I've carefully considered all the arguments, evidence and information provided in this context and what this all means for Mr A's complaint.

Mr A had declared an income of £15,000 a year which HSBC translated into around £1,086 a month after tax. It verified this as well using an industry wide used system relating to the credit turnover on the account he had at HSBC. HSBC has said that it included as part of Mr A's expenses a property payment taken from a rental model as Mr A had stated he was living with a parent.

HSBC did a credit search and Mr A's total indebtedness was £2,100 which I do not think HSBC would have considered to have been a high figure. HSBC included in Mr A's expenses a monthly repayment for existing credit commitments taken from the credit bureau at the time of the application. His unsecured debt-to-income ratio was only 14% which is low.

The credit search had shown no other issues to alert HSBC that Mr A had had, or was likely to have, difficulty repaying his credit commitments. He had no County Court Judgments,

defaulted accounts or accounts in delinquency and there were no records of insolvency. His credit commitment liability was low and he was living with a parent and so his housing costs would have been lower than usual. So, on the income and expenditure assessment HSBC carried out I do not think that it was incorrect to assess the loan repayments as being affordable.

And I note that Mr A had applied for a loan aimed at graduates. His account was a student account held with HSBC of which it would have been aware. Student account overdrafts can be a nil-rate or low charge. And a graduate account likely would have indicated HSBC had known he'd been studying. A graduate loan can be used for a variety of things and usually aimed at assisting students to start out after finishing their studies. So, Mr A's application would not have looked out of place.

HSBC has sent to us a letter sent to Mr A in June 2018 which shows he had a Student Bank account and he had an overdraft facility on his account but no interest was being charged. This is not unusual for accounts when customers are students. He would have been charged for any unauthorised borrowing but the HSBC records show me that no charges at all had been incurred between June 2017 and June 2018. So, I am not persuaded that being in his overdraft on occasions was a significant issue for Mr A at the time he applied for the loan. I say this to explain why it is that the investigator's focus on the cost of the overdraft was a concern to me.

Mr A has mentioned that he applied for the loan on-line early in the morning after a gambling session. But I've seen the loan explanations set out in clear terms that Mr A was able to withdraw from the loan within 14 days. So, if he felt he'd made a mistake applying for the loan he would have had 2 weeks to tell HSBC that and withdraw.

Added to which, Mr A has spoken of a large gambling spend on the morning he applied for the loan. I have copies of Mr A's bank account transactions for that period leading up to the £10,000 loan funds being credited on 12 October 2018 and there's little or no evidence of gambling use. I'd say it was around £120 including some additional cash withdrawals which may have been for betting and/or gambling.

Some of these were National Lottery payments which I'd not have considered a concern as National Lottery tickets are widely available and are not of that nature usually associated with compulsive spending issues. A modest spend on that sort of item was not likely to have raised an alert to HSBC. So, I've no reason to consider that HSBC would have been alerted to there being an issue over extensive gambling.

And I've reviewed Mr A's bank account transactions from October 2017 to October 2018 and there were no significant series of transactions indicating any betting or gambling activity.

After Mr A had received the funds in October 2018 he repaid a credit card and a loan and then I can see that he was doing international gambling transactions quite significantly. But these were after the funds had been drawn down by Mr A. Most of the £10,000 had been used up by the time the first instalment date in December 2018 came round. I was sorry to see that and I hope Mr A has sought assistance for that gambling if it continued.

I consider that HSBC carried out proportionate checks and I do not uphold the complaint about the approval of the loan.

Treating Mr A fairly when in arrears.

I wrote to HSBC when investigating this complaint to say our remit is to consider cases on a fair and reasonable basis. We aren't a court and so I won't be able to directly consider alleged breaches of the Equality Act. But I have considered if HSBC has treated him fairly bearing in mind the responsibilities it has.

I've looked at a lot of evidence from both parties. And in summary – I do think that HSBC was fair to him up until February 2021. I do think that HSBC had the FCA backing in the last stages of Covid to extend the forbearance for longer rather than imposing a default on 3 June 2021. But having said that, I do not have enough evidence from Mr A that a) if he'd been given more time he could have started to repay the loan in full and b) what effect the Default has had on him. We have asked for a copy of his credit file multiple times and it's never been sent.

So, what follows are the detailed findings surrounding the evidence I have. I do have Mr A's HSBC account transactions beyond 2021 and those show me that he had little in that account and was using at least one other current account of which I have no details. He was receiving furlough money for a while in 2021 and then he was receiving Student Loan sums each term. These credited April 2021, January 2022 and May 2022 at least.

HSBC has said that the account is still in its collections department. So, it appears that it is still outstanding.

The upshot of all my deliberations is that on current evidence, I doubt that asking HSBC to remove the default from four years ago in June 2021 will be of much benefit to Mr A. On current evidence I am not satisfied that if the default had been delayed that Mr A would have been able to pay back the loan and the arrears when he got his new job in July 2021. And so it is highly likely that the default would have been imposed in any event.

Summary of what I've seen and my provisional findings in relation to treating Mr A fairly.

HSBC has said that arrears letters were sent to Mr A in May 2020 and in October 2020. The loan went through its collections department and the default applied in March 2021 was correctly applied.

A statement of account was sent to us and that shows Mr A repaid the full monthly instalments satisfactorily until January 2020. After that the repayments were made but were for less than the full contractual amount and were intermittent. HSBC has said that arrears letters were sent in May and October 2020.

By way of background, I have been sent copies of Mr A's bank account transactions and I have reviewed them from January 2020 onwards. I can see that as well as earning from hospitality venues he was receiving Student Loan disbursements each term.

Mr A recently at my request has provided me with evidence that he had received formal notification of serious health issues which classified him as being an individual who had to shield during Covid and therefore not leave the house. That continued until at least the end of March 2021.

Mr A has told me:

'The furlough payments were not wages, but emergency government support based on low average earnings. I had no guaranteed hours, no capacity to work, and no lawful ability to seek other income due to shielding.'

After the Covid 19 pandemic commenced he was also receiving Universal Credit and was receiving a smaller wage from the same hospitality venue that had been paying him in January 2020. He received around £456 most of the months from March 2020 to June 2021.

Since I have had the complaint, I have asked HSBC for more information and copies of recorded calls. I have been sent one for 18 February 2020 and I have listened to it. Mr A was transferred through to the Financial Guidance Team. He spoke to a lady for over 30 mins. She carried out an I&E with him. Mr A gave her lots of explanations about his circumstances including that he had missed two loan payments, he was living with parents and had no bills apart from his telephone. His contribution was to pay for petrol on his father's car and he paid

for the food for him and his parents. He was receiving around £500 a month for a student course (student loan funds) and he had a job at a hospitality venue but it was a zero hours contract. So if he did a lot of shifts he could earn over a £1,000 in a month, but if he was placed on one shift a week it could be as low as £80 a week. No mention was made of any illnesses and this was before any Covid 19 lockdown announcements had been made. The I&E showed affordability but the lady invited him to sort out a couple of external (non-credit related) debts and call the Financial Guidance Team back.

Having completed that I&E in early 2020 - a copy of which I have seen - HSBC has shown us the arrears letter of 1 May 2020 – amounting to two missed instalments – and due to Covid it wrote those arrears off.

In July 2020, after Covid 19 had commenced, Mr A did a further I&E for the bank which showed he had no affordability. He had said he was earning £456.18 on furlough as Mr A has confirmed.

In August 2020 Mr A applied to HSBC for a loan to consolidate debts which was declined due to arrears on the existing loan and on his credit card. An arrears letter for the existing loan was sent 1 October 2020 by which time Mr A was about £1,700 in arrears

I have been sent a recorded call with the same Financial Guidance Team. This was on 8 October 2020 and was a 36 min call. I have listened to it. The HSBC representative and Mr A spoke extensively about his circumstances. So, this call is when HSBC became aware of this particular health issue and aware of a number of details which, as Covid was still in place, would have made it apparent that Mr A was not able to earn. A further I&E was done and a copy has been sent to me. The HSBC representative was satisfied that Mr A was earning nothing and said it was unusual and placed him on a 'long term no affordability' scheme of six months from that date.

By this time, HSBC had placed Mr A's credit card, graduate loan account and current account all in Collections. His credit card was suspended, and on the call Mr A was told he did not need to make any payments towards the loan but he could if he was able to. During the October 2020 call Mr A was warned about the impact on his credit file and was informed that *'there is no need to contact us until 8 April 2021'*. He'd continue to get formal letters to keep him up to date with the arrears. And the HSBC representative invited him to call again if his circumstances changed. He gave Mr A the direct telephone number to that Financial Guidance Team. Mr A was warned that a default notice was likely.

Several letters were sent to Mr A in October 2020 and these show me that HSBC had spoken to him and had been in touch. One dated 9 October 2020 specifically referred to his *'circumstances'* and that it had all been noted on its systems and so Mr A did not have to tell it again unless something changes. HSBC wrote again on 15 October 2020 to say that it would not contact him for six months, no interest would be added to the loan account and it would not be asking him for any payments during that period. Once that period ended (six months from 15 October 2020) then it would be back in touch to discuss options to repay the balance. It did say that he'd get regular update letters which it was legally required to send out. But these would not affect the agreement that the letter was setting out – that is the six months of not chasing him for payment and no interest being added. The same letter was sent to him at the same time about his graduate current account.

This seems to have been in line with the FCA's personal loans and coronavirus: Payment Deferral Guidance: <https://www.fca.org.uk/publication/finalised-guidance/personal-loans-coronavirus-deferral-guidance.pdf>

So, I consider that HSBC did a great deal to assist Mr A and treated him with empathy, understanding and forbearance up to the end of February 2021.

Paragraphs 4.8 and 4.14 of the link I have provided above is useful in relation to what may happen at the end of the deferral period.

I've borne this in mind when assessing whether HSBC did do all it should have done considering Mr A's very specific circumstances about which HSBC was aware.

The default

A letter setting out his arrears was sent to Mr A on 1 March 2021. It showed that between November 2020 and the letter in March 2021 Mr A had repaid to the loan account £800 and the amount owed had reduced to £10,600 but still he was in arrears.

The Default Notice was 4 March 2021. It said that Mr A had to repay just over £1,587 by 25 March 2021. This was within the six months period that HSBC had told Mr A nothing would be done and no payments were expected.

On 30 April 2021 Mr A received a final demand payment and it referred to having been in touch with him and was aware he was having health problems. No additional charges or interest was going to be added but if he was not able to pay the arrears the account would be passed to its debt collecting arm. The letter of 30 April 2021 states that HSBC was sorry to hear Mr A was having health problems and finding it hard to keep up with his repayments. It added that it was there to help. It was a demand for payment. But it's perfectly clear that HSBC was fully aware of his health issues and vulnerabilities in October 2020. I can see that Mr A had told HSBC about his health issues again in April 2021.

Then Mr A received a final demand for the full amount of £9,397 due on 18 May 2021. HSBC has said the date of the Default itself was 3 June 2021. Mr A has told me recently:

'I returned to employment in the summer of 2021, just a few months after the loan was defaulted. Had HSBC shown any degree of flexibility, compassion, or adherence to FCA guidance on vulnerability, they would have allowed a brief forbearance period.

Instead, they chose to default the loan at the lowest point of my vulnerability, during a period of government-enforced isolation. That decision destroyed my credit score, and I have never financially recovered. I remain unable to access affordable credit and continue to experience hardship as a direct result of their actions.'

I consider that HSBC knew enough about Mr A's health issues, the national situation with Covid, and his financial situation to have offered further forbearance from the end of that six month period ending April 2021. The FCA offers HSBC legitimate provision for that through the Tailored Guidance as referred to earlier in this decision.

Added to which, despite all this Mr A had managed to pay down some of the loan – around £800 – and of course the arrears had built up. But Mr A had been told how to approach the debt, and that no repayments were expected for six months during the October 2020 call. And further that he did not need to get back in touch with HSBC until 8 April 2021.

I've considered what the Information Commissioner's Office (ICO) says about the imposition of defaults because it is the body which has been created and has issued guidance for lenders as to what, how and when information should be reported to the credit reference agencies.

This guidance can be found in its paper called "*Principles for the Reporting of Arrears, Arrangements and Defaults at Credit Reference Agencies.*" I consider this to be good industry practice and so it is entirely reasonable to see what the ICO says about when a default ought to be issued and reported.

I do not consider that the relationship had broken down so completely that the default on 3 June 2021 was justified. Having said all of that, for the reason I outlined earlier, on current evidence I do not think I am persuaded to ask HSBC to remove the default. Plus I do not think it will be of benefit to Mr A for the default imposed over four years ago (the life cycle of a

default on his credit file is six years) to be removed.

Putting things right

As I have outlined at the beginning of this section of my provisional decision, I do not have enough evidence to be persuaded that if a default had not been imposed in June 2021, then Mr A could have avoided a default being imposed later. I am not satisfied on current evidence that a default likely would not have been imposed at a later point.

However, I do consider that there has been some distress and inconvenience clearly experienced by Mr A. And so I am planning to make a money award to compensate him for the period around March 2021 to June 2021. As it's a relatively small period, then on the current evidence I am planning to make it an award of £350.

This is the end of the duplicated provisional 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.

Since that provisional decision, Mr A has not responded in any way. HSBC has questioned why I am approving compensation for Mr A. HSBC has expressed disappointment at my views surrounding the default.

Having reconsidered it all, I doubt that asking HSBC to remove the default from more than four years ago in June 2021 will be of much benefit to Mr A. In my provisional decision I said that I did think that HSBC was fair to Mr A up until February 2021. I did think that HSBC had the FCA backing in the last stages of Covid to extend the forbearance for longer rather than imposing a default on 3 June 2021.

But having said that in my provisional decision, I went on to say that I had not have enough evidence from Mr A that a) if he'd been given more time he could have started to repay the loan in full and b) what effect the Default had had on him. We had asked for a copy of Mr A's credit file multiple times and it was never sent. Mr A has not responded to any of these points and no credit file has been forwarded to us. So, my views set out in the provisional decision remain.

Having said that, I don't think that it was fair or reasonable treatment of Mr A that HSBC started issuing demands for repayment and the NOD before the shielding period had lifted in March 2021. And that HSBC was pushing him for repayments when still he was not able to get a job. And that HSBC was writing to him in the way that it was within the six month period which – in October 2020 – he'd been told he'd be left alone for six months which would have been April 2021.

Mr A had been told how to approach the debt, and that no repayments were expected for six months during the October 2020 call. And further that he did not need to get back in touch with HSBC until 8 April 2021. He made around £800 in repayments. And despite this, HSBC, knowing enough about Mr A's health issues, the national situation with Covid, and his financial situation, could have and in my view should have offered further forbearance from the end of that six month period ending April 2021. The FCA offered HSBC legitimate provision for that through the Tailored Guidance as referred to earlier in this decision.

These are the reasons for saying in my provisional decision that I consider Mr A was treated unfairly between March 2021 and June 2021. I remain of the view that some compensation for Mr A for that distress and inconvenience for that period ought to be paid and I indicated

£350.

Mr A has said nothing further about his complaint. HSBC has questioned this element of compensation but has made no additional points surrounding this compensation figure. And so, I make a money award that HSBC pays Mr A £350.

Putting things right

I make a money award for distress and inconvenience of £350.

My final decision

My final decision has three parts. I do not uphold the complaint about the approval of the loan. I do not make any direction about Mr A's credit file.

I make a money award of £350 for the distress and inconvenience I think Mr A suffered between March 2021 and June 2021.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 8 October 2025.

Rachael Williams
Ombudsman