DRN-5659475

The complaint

Mrs O complains that HSBC UK Bank Plc ("HSBC") irresponsibly provided her with a loan whilst she was struggling financially and didn't conduct sufficient affordability checks.

What happened

HSBC provided Mrs O with a loan for £1,000 on 6 February 2020. The terms of the loan meant it was to be repaid over 22 months at an APR of 21.9%. This meant that Mrs O would be paying £54 a month with a total repayable of £1,202. In December 2021, Mrs O repaid the loan in full.

On 8 January 2025, Mrs O complained to HSBC that it had lent to her irresponsibly whilst she was struggling financially. She felt that HSBC hadn't conducted sufficient checks and if it had, it would have seen that she was struggling financially.

HSBC didn't uphold Mrs O's complaint and so she referred it to us.

Our investigator thought HSBC had made a fair lending decision and didn't uphold Mrs O's complaint.

Mrs O disagreed with this outcome so the complaint has been passed to me to make 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.

Having done so, I've reached the same overall conclusion as that of our investigator.

I'm aware that I've summarised this complaint above in less detail than it may merit. No discourtesy is intended by this. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

If there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome. I will, however, refer to those crucial aspects which impact my decision.

Lastly, I would add that where the information I've got is incomplete, unclear or contradictory, I've to base my decision on the balance of probabilities.

HSBC will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

Having carefully looked at everything provided by both parties, I've decided to not uphold Mrs O's complaint. I've explained why below.

HSBC's decision to lend to Mrs O

HSBC needed to make sure that it didn't lend irresponsibly. In practice, what this means is HSBC needed to carry out proportionate checks to be able to understand whether Mrs O could afford to repay the loan she had applied for before granting it.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

But as Mrs O was already a customer of HSBC, it would have already been aware of how she managed her current account and overdraft. HSBC says it agreed to Mrs O's application after it considered information provided by Mrs O together with how she had managed her account and information obtained from her credit file. In HSBC's view all of this information showed Mrs O could afford to make the repayments she would be committing to.

On the other hand, Mrs O has said she was in financial difficulty.

I've carefully thought about what Mrs O and HSBC have said.

Our investigator asked HSBC for the credit file information it relied on prior to agreeing to lend but it wasn't able to provide this. So Mrs O has kindly provided a copy of her credit file along with statements for the months leading up to the lending. Unfortunately the credit file information is limited from around the time of the lending but from what I can see, Mrs O had a credit card with a £4,000 limit (although the outstanding debt at that time isn't recorded), a HP agreement costing £153 a month, a loan costing £89 a month and a shop finance card with a £750 limit. Mrs O also had an overdraft with HSBC at the time. I'm unable to see any adverse information on the credit file for this time. I'm aware that Mrs O's overdraft with HSBC has been subject of a further complaint of irresponsible lending brought to our service so it would be inappropriate for me to comment about that here. That being said, I've reviewed the statements provided for that complaint as they cover an extended period of time for me to get a better overall picture of Mrs O's financial situation.

From my understanding, at the time of making the loan application, Mrs O was on maternity leave and her income had been gradually reducing each month. In January and February 2020 it had reduced to £590 a month. However later in the year, Mrs O was in receipt of over £800 a month when she returned to work. Mrs O was also in receipt of child benefit payments of £82 a month and regular payments each month from a third party. Mrs O told us that these ad hoc third party payments weren't regular or guaranteed. But from what I've seen, there is evidence of these payments going back to at least 2018 and these ad hoc payments continued after the loan was approved. And I don't think its uncommon for family members to help out financially during periods of maternity leave where income is reduced.

Mrs O said HSBC were wrong to include the ad hoc third party payments when assessing her affordability. But I'm not convinced it was given that there was evidence of additional payments both before and after the loan was approved and so in fact they were being paid regularly. But even if HSBC hadn't considered these payments when considering affordability, our investigator concluded that based on the expenditure from Mrs O's bank statements, Mrs O on average was still left with a disposable income of around £200 a month in which to afford the loan repayments of £54 and which on balance, having looked at all the evidence, I agree with this calculation. And I think that made the loan both affordable and sustainable.

I accept that Mrs O appears to be suggesting that her actual circumstances may not have been fully reflected in the information HSBC obtained. Mrs O told us she was struggling financially at the time of the application. However, Mrs O didn't make HSBC aware of this until she made her complaint to it and nor would it have been evident from the information HSBC obtained or saw from her account activity. On the whole, Mrs O appeared to be managing both her account and other financial commitments well and I've seen no evidence of any adverse information that would suggest the loan wasn't affordable or sustainable going forward. I'm sorry to hear about what Mrs O told us was happening in her personal life at the time and I hope her circumstances improve soon.

But it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. Given the amount of the monthly repayments, the disposable income that appeared to be left each month and the lack of other obvious indicators of an inability to make the monthly repayments in the information HSBC saw, I think HSBC made a fair decision to lend.

So I don't think that HSBC did anything wrong when deciding to lend to Mrs O – I'm satisfied it carried out proportionate checks given she was already an existing customer (albeit I accept that Mrs O doesn't agree that these went far enough) and reasonably relied on what it found out which suggested the repayments were affordable.

So overall I don't think that HSBC treated Mrs O unfairly or unreasonably when providing her with her loan. And I'm not upholding Mrs O's complaint. I appreciate this will be very disappointing for Mrs O as I can see that she feels strongly about this matter. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

Did HSBC act unfairly in any other way

I've also considered whether HSBC acted unfairly or unreasonably in any other way, including whether the relationship between Mrs O and HSBC 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 Mrs O or otherwise treated her 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

For the reasons given above, I'm not upholding Mrs O's complaint against HSBC UK Bank Plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs O to accept or reject my decision before 2 October 2025.

Paul Hamber

Ombudsman