

## **Complaint**

Miss M has complained that HSBC UK Bank Plc (trading as “HSBC”) irresponsibly provided a credit card to her. She says that the credit card was unaffordable and created ongoing difficulty as she ended up in persistent debt.

## **Background**

In August 2016, HSBC provided Miss M with a credit card with a credit limit of £5,500.00. As far as I can see the credit limit on the card was never increased.

In April 2025, Miss M complained saying that the credit card was unaffordable and created ongoing difficulty as she ended up in persistent debt.

HSBC didn’t uphold Miss M’s complaint as it believed that it didn’t do anything wrong either when providing the credit card, or in the period Miss M had it. Miss M remained dissatisfied after HSBC’s response and referred her complaint to our service.

One of our investigators reviewed what Miss M and HSBC had told us. He wasn’t persuaded that HSBC failed to act fairly and reasonably either when initially providing Miss M with her credit card, or allowing her to use it in the way that she did. This meant that the investigator didn’t recommend that Miss M’s complaint be upheld.

Miss M disagreed with the investigator’s conclusions and asked for an ombudsman to look at her complaint.

## **My findings**

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

### *Basis for my consideration of this complaint*

There are time limits for referring a complaint to the Financial Ombudsman Service. HSBC has argued that Miss M’s complaint was made too late because she complained more than six years after the decision to provide the credit card; as well as more than three years after she ought reasonably to have been aware of her cause to make this complaint.

Our investigator explained why it was reasonable to interpret the complaint as being one alleging that the relationship between her and HSBC was unfair to her as described in s140A of the Consumer Credit Act 1974 (“CCA”). He also explained why this complaint about an allegedly unfair lending relationship had been made in time.

Having carefully considered everything, I’ve decided not to uphold Miss M’s complaint. Given the reasons for this, I’m satisfied that whether Miss M’s complaint about the specific lending decisions was made in time or not has no impact on that outcome.

I'm also in agreement with the investigator that Miss M's complaint should be considered more broadly than just the lending decision. I consider this to be the case as Miss M has not only complained about the decision to lend but has also alleged that the repayments unfairly caused her continued financial difficulty as she ended up in persistent debt.

I'm therefore satisfied that Miss M's complaint can therefore reasonably be interpreted as a complaint about the fairness of her relationship with HSBC. I acknowledge HSBC may still disagree that we can look at Miss M's complaint, but given the outcome I have reached, I do not consider it necessary to make any further comment or reach any findings on these matters. This includes responding to Miss M's arguments regarding her complaint having been made in time.

In deciding what is fair and reasonable in all the circumstances of Miss M's case, I am required to take relevant law into account. As, for the reasons I've explained above, I'm satisfied that Miss M's complaint can be reasonably interpreted as being about the fairness of her relationship with HSBC, relevant law in this case includes s140A, s140B and s140C of the CCA.

S140A says that a court may make an order under s140B if it determines that the relationship between the creditor (HSBC) and the debtor (Miss M), arising out of a credit agreement is unfair to the debtor because of one or more of the following, having regard to all matters it thinks relevant:

- any of the terms of the agreement;
- the way in which the creditor has exercised or enforced any of his rights under the agreement;
- any other thing done or not done by or on behalf of the creditor.

Case law shows that a court assesses whether a relationship is unfair at the date of the hearing, or if the credit relationship ended before then, at the date it ended. That assessment has to be performed having regard to the whole history of the relationship. S140B sets out the types of orders a court can make where a credit relationship is found to be unfair – these are wide powers, including reducing the amount owed or requiring a refund, or to do or not do any particular thing.

Given Miss M's complaint, I therefore need to think about whether HSBC's decision to lend to Miss M, or its later actions resulted in the lending relationship between Miss M and HSBC being unfair to Miss M, such that it ought to have acted to put right the unfairness – and if so whether it did enough to remove that unfairness.

Miss M's relationship with HSBC is therefore likely to be unfair if it didn't carry out reasonable enquiries into Miss M's ability to repay in circumstances where doing so would have revealed the credit card to be irresponsible or unaffordable. And if this was the case, HSBC didn't then remove the unfairness this created somehow.

*Were the decisions to provide the credit card unfair?*

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Miss M's complaint.

Bearing in mind Miss M's response to our investigator, I think that it would be helpful for me to set out that we consider what a firm did to check whether any repayments to credit were affordable (asking it to evidence what it did) and then determine whether this was enough for the lender to have made a reasonable decision on whether to lend.

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 that information – 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, the amount lent was high, or the information the lender had – such as a significantly impaired credit history – suggested the lender needed to know more about a prospective borrower's ability to repay.

That said, I think that it is important for me to explain that our website does not provide a set list of mandated checks that a lender is expected to carry out on every occasion. Indeed, the requirements have not and still do not mandate a list of checks that a lender should use. Any rules, guidance and good industry practice in place over the years has simply set out the types of things that a lender could do when considering whether to lend to a prospective borrower.

It is for a lender to decide which checks it wishes to carry out, although we can form a view on whether we think what was done was fair to the extent it allowed the lender to reasonably understand whether the borrower could make their payments. Furthermore, if we don't think that the lender did enough to establish whether the repayments that a prospective borrower might have to make were affordable, this doesn't on its own mean that a complaint should be upheld.

We would usually only go on to uphold a complaint in circumstances where we were able to recreate what reasonable checks are likely to have shown – typically using information from the consumer – and this clearly shows that the repayments in question were unaffordable.

#### *HSBC's decision to provide Miss M with a credit card*

HSBC says it will have agreed to Miss M's application after it obtained information on her income, some information on her expenditure and carried out a credit search. And the information obtained will have indicated that Miss M would be able to make the monthly repayments that could be due for this credit card and the limit increase.

On the other hand, Miss M says that the credit card was unaffordable and this created ongoing difficulty.

I've considered what the parties have said.

What's important to note is that Miss M was provided with a revolving credit facility rather than a loan. This means that HSBC was required to understand whether Miss M could repay £5,500.00 within a reasonable period of time.

I understand that Miss M declared having an income of £23,000.00. HSBC is likely to have carried out a credit search but given the length of time since Miss M's application it no longer has a record of this. In any event, I haven't seen anything to indicate that Miss M had any significant adverse information - such as defaulted accounts or county court judgments recorded against her. Miss M says that she shouldn't have been lent to because of her income. But I don't think that her income was so low that she obviously couldn't afford this credit card.

Nonetheless, I think that given the amount being lent here there is a reasonable argument for saying that it would have been reasonable and proportionate for HSBC to find out a bit more about Miss M's regular living costs before accepting her application for this credit card.

However, I don't think that proportionate checks would have extended into obtaining bank statements. I say this particularly as there is no requirement for a lender to obtain statements from a customer.

Having considered the evidence provided, I don't think that HSBC obtaining further information on Miss M's committed regular living expenses at the time and supplementing what it knew about her credit commitments, is likely to have led it to conclude that she did not have the funds to sustainably make the repayments due.

I say this because the information that M that her actual living expenses were relatively low and not at a level that rendered the credit card affordable. I don't think that Miss M using her overdraft or having a complaint against another bank upheld changes this either. Indeed, there isn't a prohibition in a lender lending to a prospective borrower that is using an arranged overdraft.

As this is the case, I'm satisfied that it wasn't unfair for HSBC to offer Miss M a credit card with a limit of £5,500.00 in August 2016.

*Did HSBC allow Miss M to use her card in a way that was unsustainable or otherwise harmful for her?*

Miss M has also said that HSBC acted unfairly towards her as it continued to allow her to use this credit card even when she was making minimum payments. The regulator, the Financial Conduct Authority ("FCA") introduced new rules regarding persistent debt on credit cards in 2018.

The final stage of these rules came into operation in 2020<sup>1</sup>. This permitted credit card providers to close a credit card to new spending where customers were not taking sufficient steps to reduce balances that were in persistent debt. The lender would then set up an affordable pay down plan for the balance owed, even if a customer was making their minimum payment in accordance with the terms and conditions of the account.

I can see that Miss M's account reached this stage in March 2020. At which point Miss M was provided with a paydown plan and her card was closed to new spending. As a result, Miss M was able to clear her credit card balance in July 2022 – so within a reasonable period of time of the paydown plan.

I appreciate that Miss M may feel that she will have repaid less had she not had to pay interest. However, as this was an interest-bearing credit card and there isn't anything to indicate that Miss M was mismanaging the account. HSBC let Miss M know that she could repay her balance quicker if she increased her payments as far back as 2018. I'm satisfied that reminding Miss M of the interest she was paying and setting out an additional voluntary payment, which would have resulted in her clearing the balance quicker was fair and reasonable bearing in mind HSBC's obligations under the regulations.

As a result of Miss M not increasing her payments voluntarily, HSBC then wrote to her again when she entered final stage of persistent debt and set up a payment plan with her, which resulted in the debt being cleared. In these circumstances, it seems that the persistent debt

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<sup>1</sup> The persistent debt rules actually came into force in 2018. This is when the first PD18 letters will have gone out. As the paydown plan phase starts at 36 months, it wasn't until 2020 where the first accounts will officially have been in persistent debt for the required time. It is only where this criteria was met that a lender was permitted to impose solutions aimed at helping reduce a customer's debt, without adverse credit information being recorded, irrespective of whether the customer was maintaining the account in line with the terms and conditions.

rules operated in exactly the way they were supposed to and I've not been persuaded that HSBC acted unfairly or unreasonably towards Miss M in respect of this matter.

Overall, and based on the available evidence I don't find that Miss M's relationship with HSBC was unfair. I've not been persuaded that HSBC created unfairness in its relationship with Miss M by irresponsibly lending to her whether when initially agreeing to provide her with a credit card, or in respect of the limit increase. I don't find HSBC treated Miss M unfairly in any other way either based on what I've seen.

Having considered everything, while I can understand Miss M's sentiments, I'm nonetheless not upholding this complaint. I appreciate this will be very disappointing for Miss M – especially as it's clear she feels strongly about this complaint. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

### **My final decision**

For the reasons I've explained, I'm not upholding Miss M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 16 February 2026.

Jeshen Narayanan  
**Ombudsman**