

## **The complaint**

Mr W complains that HSBC UK Bank Plc (HSBC) acted irresponsibly in providing him with a revolving credit facility.

## **What happened**

Around February 2019 Mr W applied for a revolving credit facility (credit card) with HSBC. The credit card was offered with the option of 0% interest on balance transfers for 32 months, and 0% interest on purchases for three months. Mr W's application was successful, and HSBC issued him with a credit card that had a £3,000 credit limit. Mr W asked for a credit limit increase around March 2020 as he was being impacted by the pandemic, but this increase wasn't pursued further, and so no subsequent credit limits were applied.

Mr W complained to HSBC as he said they hadn't properly checked the affordability of the loan. He said if they had they would have seen he was employed on a contract basis and was already overly indebted. And by adding to his financial burden, he'd spiralled into persistent debt. He said HSBC had added to his financial difficulties by continuing to apply interest charges.

HSBC said their checks were reasonable and proportionate using application, credit reference agency (CRA) and statistical data to determine the affordability of the lending. And based on these checks their lending decision was fair. They'd also acted in accordance with the relevant guidance around persistent debt.

Mr W wasn't happy with HSBC's response and referred his complaint to us.

Mr W brought his complaint to us more than six years after the event, but HSBC has consented to us looking at his complaint. Our investigator found HSBC to have acted fairly having conducted reasonable and proportionate checks. While Mr W was indebted, HSBC weren't adding to his financial burden as he used the balance transfer option of moving interest-bearing credit to a 0% interest facility.

Mr W disagreed and asked for an ombudsman to decide.

## **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.

While I empathise with the position Mr W finds herself in, for me to say HSBC must do something different I must first be satisfied that they've done something wrong. I can't see that they have here which is why I won't be asking them to do anything else. I'll explain why.

I've considered the relevant rules and guidance on responsible lending set by the regulator, laid out in the consumer credit handbook (CONC). In summary, these say that before HSBC offered the facility, they needed to complete reasonable and proportionate checks to be satisfied Mr W would be able to repay the debt in a sustainable way.

In deciding what was proportionate HSBC needed to consider things such as (but not limited to): the amount of credit, the size of any regular payments (taking into consideration the rules and guidance in CONC relating to assumptions concerning revolving credit), the cost of credit and the consumer's circumstances.

What's important to note is that Mr W was provided with a revolving credit facility rather than a loan. As it was revolving credit there's no set amount that needed to be repaid each month, but CONC requires a firm to assume when carrying out their assessment that the entire credit limit is drawn down at the earliest opportunity and repaid in equal instalments over a reasonable period. HSBC was approving a credit limit of £3,000. So, I think HSBC could have reasonably assumed Mr W would need to be able to pay around £150 each month to clear any outstanding balance within a reasonable period.

There isn't a set list of checks a lender must do. But CONC requires a lender to take reasonable steps to estimate a consumer's income and non-discretionary outgoings. It says generally a lender shouldn't solely rely on a consumer's declared income but seek to validate this using an independent source such as a CRA or third party. It also allows for the use of statistical data in determining a consumer's non-discretionary outgoings. I've considered the checks HSBC did and what these showed.

As part of the application process, Mr W was asked to provide information about his employment, income and residential status. Mr W said he was employed full time with an annual income of £53,000, which he said equated to £3,500 a month. Mr W also said he was an owner occupier, living with a partner.

An affordability assessment was undertaken by HSBC which cross checked this information with Mr W's credit file, from this HSBC assessed Mr W's income to be around £3,077. They used CRA data for Mr W's mortgage and other credit commitments. His other expenses were then modelled and as Mr W had said he was living with a partner they considered certain expenses most likely would be shared, which I don't think is unreasonable. The credit check showed Mr W had unsecured debt of £33,160 and revolving debt of £13,250. No defaults, county court judgements or other current adverse data was recorded.

The application is an automated system with built in risk factors. I know Mr W feels HSBC should have asked for his contract and salary details but from his application he'd declared he was in full time employment, and he's said what his annual income was. In cross checking Mr W's application data HSBC used standard industry checks, they didn't solely rely on his declared income but sought validation through a CRA check which confirmed his monthly income to be around £3,077. And it's the lower figure they used in their assessment.

For Mr W's non-discretionary outgoings HSBC said a full affordability assessment was undertaken using a combination of modelled essential monthly spending which would be day to day living costs for council tax, utilities, food, clothing, communications/internet/tv, home essentials, fuel/travel, insurance, and wellbeing. They said they also included a property payment taken from the CRA as Mr W said he was a homeowner, as well as details of his active credit commitments.. From their assessment this should have left Mr W with a disposable income of around £517 before factoring in the new lending, which as I outlined above, I'd consider to be around £150 a month.

So, I'm satisfied the checks HSBC did were reasonable and proportionate for the type and amount of credit they were providing. They took reasonable steps to determine Mr W's income and non-discretionary outgoings. And I don't think that there was anything immediately obvious in the information that HSBC had, including Mr W's income and existing credit, which meant they shouldn't rely on it. So, I don't think HSBC needed to have asked Mr W to provide further evidence in support of his income and expenditure before providing

him with a credit limit in this instance. I've next considered whether based on the evidence HSBC gathered they made a fair lending decision.

While Mr W seemed to have sufficient disposable income to sustain the repayments. The credit check showed Mr W had unsecured debt of £33,160 and revolving debt of £13,250, so he was already indebted. We also consider any checks should be borrower focussed, meaning HSBC needed to think about whether repaying the lending sustainably would cause difficulties or adverse consequences for Mr W. In other words, it wasn't enough for HSBC to think only about the likelihood that they would get their money back without considering the impact of repayment on Mr W himself.

In applying for this credit facility Mr W had the option of 0% interest on any balance transfer. And I can see he transferred a balance of £2,300 from one of his interest-bearing accounts, and £400 from another of his interest-bearing accounts. So, HSBC didn't increase Mr W's financial burden, as his financial commitment should have reduced on his other credit cards. So, I'm satisfied HSBC's lending decision was fair as Mr W should have had sufficient disposable income to meet his repayments. And HSBC hadn't added to his financial burden as by agreeing to the credit facility Mr W should have reduced his monthly financial commitments.

Mr W says HSBC has acted unfairly by continuing to apply interest charges to his credit card account despite him being in persistent debt.

CONC says persistent debt is when a consumer has paid more in interest, fees and charges than they've repaid towards the capital they owe over the previous 18 months. It requires a lender to monitor a credit card repayment record and any other relevant information held by them. And to take appropriate action where there are signs of actual or possible financial difficulties. There are milestones for a lender to follow when there is evidence of persistent debt these being at 18, 27 and 36 months.

At 18 months a lender must:

- Tell the consumer that they've paid more in interest, charges and fees in the past 18 months than they've paid off their borrowing
- contact consumer explaining increasing payments will reduce their cost of borrowing and pay the balance sooner
- Encourage the consumer to get in contact to discuss their financial circumstances and to see whether the consumer can afford to increase payments without an adverse effect on their financial situation
- Warn consumers about the implications of reaching a position of 36 months in persistent debt, including that their card may be suspended plus any other steps the lender might take and possible implications on the consumer's credit file
- Provide info on free debt counselling services

At 27 months a lender must:

- Send a notice to consumer explaining that it's looking likely they'll be in persistent debt for 36 months, having not suitably adjusted their repayment behaviour
- Repeat the steps that should have been taken at the 18-month stage

At 36 months a lender must explain that increasing payment will reduce cost of borrowing and time taken to repay. And provide options such as a repayment plan or transferring of the balance to a fixed sum loan. A reasonable period for repayment being considered as three to four years. Suspension of the credit card is another option. If the consumer is unable to pay a lender should exercise forbearance which may mean reducing, cancelling or waiving the interest being applied.

Consumers can't dip in and out of these milestones. For example, if someone receives a 27-month communication and makes a lump sum payment that removes them from the position of persistent debt (so they have paid more off their balance than in interest and charges) they 'restart the clock'. So, a lender would continue monitoring to see if they again met the persistent debt position in another 18 months' time, that being the first milestone.

I've considered the actions HSBC has taken. I can see in April 2023 they advised Mr W that he met the definition of being in persistent debt. And advised what he could do and how much he could pay and the impact this would have on his credit card account balance. In January 2024 (27-month milestone) they informed Mr W that he'd increased his payments, and his account was in a better position. And in October 2024 (36-month milestone) he no longer met the definition of being in persistent debt. At each point HSBC provided contact details for support both from HSBC and not for profit debt advisory bodies. So, I'm satisfied HSBC complied with the guidance around persistent debt for each of the milestone stages.

I can see in May 2025 HSBC again notified Mr W that he met the definition of being in persistent debt but as outlined above this meant the milestone clock would be restarted.

Although I'm not upholding this complaint, I'd like to remind HSBC of its obligations (CONC 7.3) to exercise forbearance if they intend to collect any outstanding balance remaining on the account and it's the case that Mr W is experiencing financial difficulty.

I've also considered whether HSBC acted unfairly or unreasonably in some other way given what Mr W has complained about, including whether their relationship with him might have been viewed as unfair by a court under Section 140A Consumer Credit Act 1974. But for the reasons I've already given I don't think HSBC lent irresponsibly to Mr W or otherwise treated him unfairly. I haven't seen anything to suggest that s.140A or anything else would, given the facts of this complaint, lead to a different outcome here.

**My final decision**

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 6 January 2026.

Anne Scarr  
**Ombudsman**