

The complaint

Mrs L complains that HSBC UK Bank Plc irresponsibly lent to her.

What happened

Mrs L was approved for a HSBC credit card in December 2023, with a £5,000 credit limit. Mrs L says that this was irresponsibly lent to her. Mrs L made a complaint to HSBC, who did not uphold her complaint. HSBC said they found no errors in how they calculated the credit limit, and they took into account Mrs L's circumstances. They said there was no adverse credit information they found. Mrs L brought her complaint to our service.

Our investigator did not uphold Mrs L's complaint. She said that HSBC should have completed further checks, but further checks would have shown the lending was affordable for her. Mrs L asked for an ombudsman to review her complaint.

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.

Before agreeing to approve the credit available to Mrs L, HSBC needed to make proportionate checks to determine whether the credit was affordable and sustainable for her. There's no prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include - but are not limited to: the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances. I've listed below what checks HSBC have done and whether I'm persuaded these checks were proportionate.

A Credit Reference Agency (CRA) reported that Mrs L had unsecured debt of £22,800, but most of this included non-revolving balances such as personal loans/hire purchase agreements etc. The CRA reported that Mrs L had no defaults or County Court Judgements showing on her credit file, and she had not been in arrears on any accounts within the six months prior to the checks.

HSBC also completed an affordability assessment. They used modelling to estimate Mrs L's outgoings. And I agree that it would be proportionate to use modelling here with there being no adverse information showing on the checks the CRA provided to HSBC.

Mrs L declared a gross annual income of £25,000. And a net income of £1,741 was showing. But in HSBC's affordability assessment, they used a net monthly figure of £1,648, which was £93 lower than what Mrs L declared as a net monthly income. HSBC's affordability assessment showed that Mrs L would have a disposable income of £280 a month to make repayments to the account. But if Mrs L's net monthly income was genuinely what she declared, then she may have £373 a month disposable income, which would be sufficient to make affordable and sustainable repayments for the £5,000 credit limit.

In addition to this, Mrs L declared outgoings of £500 a month and she was living with

parents. But HSBC used modelling to assess Mrs L's outgoings, and as these showed higher outgoings than Mrs L's declared outgoings, they used the higher figure in their assessment.

But although the repayments may appear affordable and sustainable for Mrs L, she was showing a high debt to income ratio. And even though she intended to complete a balance transfer, there was still a higher credit limit issued compared to what Mrs L wanted to transfer. So I'm persuaded that HSBC should have made further checks here.

There's no set way of how HSBC should have made further proportionate checks. One of the things they could have done was to contact Mrs L to ask her for her specific expenditure. Or, they could have requested her bank statements as part of a proportionate check to ensure she could sustainably afford repayments for a £5,000 credit limit.

Mrs L has provided bank statements for two of her accounts. One of Mrs L's bank accounts was sometimes overdrawn, but utilising an overdraft in its own right does not automatically mean that Mrs L couldn't make affordable and sustainable repayments to the HSBC credit card. Mrs L appears to have exceeded her arranged overdraft in October 2023, however, she had funds in other accounts to bring the balance back into her arranged overdraft limit. Mrs L's arranged overdraft limit was £250 and she was not charged interest on this amount of arranged overdraft.

I could not locate any returned items such as unpaid direct debits. Mrs L was able to make a number of non-priority transactions. So if HSBC had made further checks such as viewing Mrs L's bank account statements, it would have appeared that Mrs L could have made sustainable and affordable repayments for a £5,000 credit limit. So I'm persuaded that HSBC made a fair lending decision here.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I can't conclude that HSBC lent irresponsibly to Mrs L 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

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L to accept or reject my decision before 2 January 2026.

Gregory Sloanes
Ombudsman