

The complaint

Miss C says HSBC UK Bank Plc, trading as first direct, irresponsibly lent to her.

What happened

Miss C took out two loans from HSBC. The first, in July 2021, was for £9,000 over 60 months. The monthly repayments were £162.89. The second, in August 2021, was for £6,000 over 60 months. The monthly repayments were £126.06.

Miss C says HSBC did not complete adequate checks before lending to her. She was already struggling financially.

HSBC says it carried out proportionate checks for both loans that showed they would be affordable for Miss C.

Our investigator upheld Miss C's complaint. He found Miss C did not have the disposable income needed to take on either loan.

HSBC disagreed. It said it was reasonable to include the additional income Miss C received from her family as it was every month. And Miss C repaid other debts that were most likely more expensive using its loans so they were financially helpful for her and did not increase her debt levels.

I reached a different conclusion, so I issued a provisional decision. An extract follows and forms part of this final decision. I asked both parties to comment by 22 September 2025.

Extract from my provisional decision

For each loan HSBC asked for certain information from Miss C. This included her income and it verified this by looking at her current account turnover as Miss C's current account was at HSBC. It used modelled essential monthly spending to estimate her expenditure and a housing cost from a rental model as there was no mortgage payment identified at the credit reference agency. It carried out a credit check to understand the cost of her existing credit commitments and her credit history. It asked about the purpose of the loans. Based on these checks HSBC calculated Miss C would have sufficient disposable income to be able to repay both loans sustainably.

Loan 1

I am not persuaded that these checks were proportionate. I say this as HSBC learnt Miss C had debt of £18,700 and it needed to be sure Miss C could sustainably repay this loan over a five-year term. As Miss C banked with HSBC it had easy access not just to her actual income but also her expenditure and I think it should have reviewed this figure before approving the loan. And it ought to have clarified the purpose of the loan as Miss C's stated 'personal use' was not very useful.

Had it looked at the three months statements prior to application I think it could fairly have

made the same lending decision. I'll explain why.

Miss C declared an income of £1,828. The statements show her salary was around £1,500 and she then received monthly credits from her family ranging from £200 to £900 a month. I think it was reasonable for HSBC to include this additional income as it was regular (I have checked back six months). The relevant regulatory guideline (CONC 5.2A.16 (5)) allows that 'Income can include income other than salary and wages'. As Miss C had also declared an income higher than her salary, I think it was fair for HSBC to conclude these payments were a recurring, reliable source of additional income. Otherwise she would surely have just declared her salary in the income section.

Miss C's actual essential outgoings (including her credit commitments) were around £1,265 a month. So even in a month with the lowest level of additional income (£200), Miss C had £435 of monthly disposable income. It was therefore reasonable for HSBC to conclude Miss C could afford to take on loan 1. Its credit checks showed she had £18,700 of debt that was well-managed and there was no adverse data on her file such as defaults or CCJs. Her bank statements also showed no sign of financial strain – she wasn't using an overdraft facility or payday loans and there were no returned direct debits.

Had HSBC checked the purpose of the loan I think it's likely Miss C would have explained it was for debt consolidation. I say this as she settled other more expensive debts within a week of receiving this loan. So that better check need not have changed the lending decision.

It follows I think HSBC could fairly still have lent to Miss C had it carried out proportionate checks. So I cannot find it was wrong to give loan 1.

Loan 2

As this was Miss C's second loan application in two months, and she had taken out a credit card from HSBC the week before, I again think better checks were needed that included consideration of Miss C's actual incomings and fixed outgoings. As it was just a month since her application for loan 1 there were no significant changes to her actual income or housing or living costs. Her monthly credit commitments would be about to reduce too as she used all of loan 1 to settle more expensive debts – a loan for £8,000 and she had also just repaid £5,249.93 of revolving debt. So it was fair for HSBC to conclude Miss C could also afford this second loan.

Again, I think HSBC ought to have checked the purpose of the loan and it's likely Miss C would have again explained it was for debt consolidation. I say this as she settled another loan with it immediately. So better checks need not have changed the lending decision.

In the round, I accept HSBC granted a substantial amount of credit to Miss C in a short space of time. But in the circumstances of this case I find it was reasonable as Miss C was proactively managing her finances to clear more expensive debts, using these loans with APRs of 3.3% and 9.9% respectively. And better checks into the purpose would most likely have shown this.

It follows I find it was reasonable for HSBC to approve loan 2 also.

I've also considered whether the relationship 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 Miss C 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.

HSBC did not respond to the provisional decision. Miss C did and, in summary, raised the following points:

- Both loans were pre-approved so she believes HSBC only used internal data for its checks – this cannot be adequate.
- The credits from her family were never guaranteed or contractual so cannot be considered as part of her income.
- Was her debt-to-income ratio considered?
- She is now in a debt management plan (DMP) reflecting her view that the lending was not affordable.

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.

We've set out our approach to complaints about irresponsible and unaffordable lending on our website and I've followed it here.

I've thought carefully about Miss C's response to the provisional decision, but her comments do not change my findings. I'll explain why.

HSBC did not only rely on internal data as she suggests. It carried out a credit check with one of the credit reference agencies on both occasions. This would have been after Miss C responded to the pre-approved application, but I can assure her the lending decisions used more than internal data. It could not have known her debt levels and repayment history on external debts (as referenced above) had it not done so.

As the credits from her parents were regular I think it was reasonable for HSBC to include them. They do not need to be contractual for a lender to take them into account – payments between spouses, for example, are typically taken into account but would not be contractual. And even contractual credits such as salary are not guaranteed as people can experience redundancy. In this case as the credits were monthly it was fair to assume they would continue. Had that not been the case I would have expected Miss C to declare a lower income – i.e. just her salary and she did not do this.

Miss C asked if her debt-to-income ratio was considered but as both loans were taken out for debt consolidation I am not persuaded this needed to be a key determining factor. I say this as Miss C was, in essence, not taking out additional debt, rather she was replacing existing debt at a more competitive interest rate/lower cost.

I am sorry Miss C went on to struggle financially and is now in a DMP but for the reasons set out above I remain satisfied HSBC's loans were given responsibly.

My final decision

I am not upholding Miss C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 20 October 2025.

Rebecca Connelley
Ombudsman