

The complaint

Ms A is unhappy that HSBC UK Bank Plc, trading as HSBC UK, declined her application for a personal loan and with the service she received surrounding that matter.

What happened

Ms A applied to HSBC for a personal loan, but her application was declined. Ms A asked HSBC about the decline and was told that it was because of adverse information on her credit file. But when Ms A reviewed her credit file, she couldn't see any adverse information that she felt warranted the declining of her loan application.

Ms A contacted HSBC again and asked for a detailed explanation of why her application had been declined and for someone senior to re-review her application. But Ms A wasn't happy with the service she received from HSBC at that time and didn't receive an explanation to her satisfaction. So, she raised a complaint.

HSBC responded to Ms A but didn't feel that they'd done anything wrong by declining her loan application, although they did provide some further general detail about their application review process. Ms A wasn't satisfied with HSBC's response, so she referred her complaint to this service.

One of our investigators looked at this complaint and liaised with Ms A and HSBC about it. During their review, HSBC reassessed Ms A's complaint and, while they continued to feel that they hadn't done anything wrong by declining the loan application, they did feel that some of the service they had provided to Ms A surrounding the matter hadn't been to the standard Ms A should have received.

HSBC apologised to Ms A for the poor service she'd received, via this service, and offered to pay £150 to her as compensation for any trouble or upset she may have incurred as a result. Our investigator felt that HSBC's offer represented a fair outcome to this complaint, but Ms A disagreed. So, the matter was escalated to an ombudsman for a final 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 note that Ms A has provided several detailed submissions to this service regarding her complaint. I'd like to thank Ms A for these submissions, and I hope that she doesn't consider it a discourtesy that I won't be responding in similar detail here. Instead, I've focussed on what I consider to be the key aspects of this complaint, in line with this service's role as an informal dispute resolution service.

This means that if Ms A notes that I haven't addressed a specific point that she's raised, it shouldn't be taken from this that I haven't considered that point. I can confirm that I've read and considered all the submissions provided by both Ms A and HSBC. Accordingly, I can also confirm that if Ms A notes that I haven't responded to a specific point, I have considered that point but I don't feel it necessary to address it directly in this letter to arrive at what I consider to be a fair resolution to this complaint.

Ms A is unhappy that HSBC declined her loan application. But it must be acknowledged that a personal loan isn't a 'right' that a consumer has. Instead, a personal loan is provided solely and entirely at the discretion of the credit provider to whom the consumer applies. And if a credit provider decides that they don't want to provide a personal loan to an applicant, they're under no obligation to do so.

Accordingly, I won't be instructing HSBC to provide a personal loan to Ms A, because HSBC have clearly demonstrated that they don't want to provide a personal loan to Ms A. Ultimately, this is a commercial decision that HSBC are entitled to make. However, I will be assessing whether I feel HSBC considered Ms A's loan application fairly and reasonably.

I'm aware that Ms A would like a detailed explanation of exactly why HSBC declined her loan. But HSBC aren't obliged to provide the detailed explanation that Ms A wants here, and neither would I expect them to. This is because HSBC's internal creditworthiness criteria are commercially sensitive information. These are the criteria that HSBC use to decide whether they're willing to lend to an applicant or not, and if so, under what terms.

If those criteria were to enter the public domain – which they would, if HSBC explained them to Ms A – there would then be a risk that future applicants might seek to provide a loan application in consideration of that criteria that deliberately obscures or omits information that HSBC might be concerned about. This would reduce the effectiveness of HSBC's screening based on their criteria and lead to a risk that HSBC would lend to applicants it would not normally lend to. In short, the effectiveness of internal lending criteria depends on their remaining outside of the public domain.

But while I wouldn't expect HSBC to provide the specific reasons that they declined Ms A's application to Ms A, I have asked HSBC to provide those specific reasons to this service, so that I can assess whether I feel that HSBC have acted fairly or not.

In response, HSBC did provide more detailed information as to why they declined Ms A's loan application, and while I'm not a liberty to share that information with Ms A, for the reasons previously explained, I am satisfied that HSBC haven't acted unfairly by declining her application and that their decision to do so was reasonable. I appreciate that this may not satisfy Ms A's desire to fully understand HSBC's decision, but I hope that she'll derive some comfort from knowing that someone independent and impartial has considered HSBC's actions on her behalf.

While it wouldn't be expected that HSBC would provide detailed information about their decision-making process, it would be expected that HSBC would provide general information to Ms A. Upon review, I feel that HSBC have done this, most comprehensively in their response to Ms A's complaint, in which they explained:

“Our assessments take into consideration the conduct of other [existing HSBC] accounts, borrowing with other providers, the amount required, the reason for the funds being requested, and details of income and any regular outgoings. We perform a credit search and use the information provided by the Credit Reference Agencies (CRAs) to make our decisions and in addition to this, we have our own rules which determine whether we will lend.”

I feel that this provides a detailed overview of HSBC’s process, and as such I’m satisfied that HSBC have provided Ms A with the level of information about why her loan application was declined that she reasonably entitled to receive here. Additionally, having reviewed the more specific information that HSBC provided to this service about Ms A’s loan application, I’m satisfied that HSBC made their decision in line with how they’ve explained they undertake their decisions in the quote above.

Ms A has said that there is nothing in her credit file that a lender should find concerning. But that’s for a credit provider to decide, and I note that Ms A has said that because HSBC declined her application, she had to obtain lending from another provider at a higher rate of interest. If that were the case, then I feel that this would confirm that Ms A was generally perceived as a lending risk. This is because lenders offer rates of interest based on a perception of risk. And while some lenders may choose not accept risk at a certain level (such as HSBC, who declined Ms A’s application) other lenders may choose to accept that risk but will apply a larger rate of interest to the loan, so that the risk/reward balance is acceptable to them.

As such, I feel that the fact that Ms A could only obtain lending at a higher rate of interest does potentially suggest that Ms A was perceived as higher risk lending, which as explained, HSBC were under no obligation to engage in.

All of which means that I won’t be upholding Ms A’s complaints that HSBC didn’t approve her loan application or about the level of information about that decision that HSBC provided to her. To reiterate, HSBC didn’t have to provide a loan to Ms A if they didn’t want to, and upon review I’m satisfied that HSBC’s decision to not provide a loan to Ms A was arrived at reasonably and in line with how HSBC say they reach such decisions. Most importantly, I’m also satisfied that HSBC’s decision wasn’t unfair.

In regard to the service that Ms A received from HSBC when discussing her loan application with them, HSBC have acknowledged that some of that service should have been better, with one phone call in particular being to a poor standard. HSBC have apologised to Ms A for this poor service and have offered to pay £150 to her as compensation for any trouble or upset she may have incurred as a result.

Upon consideration, I feel that HSBC’s offer here does represent a fair outcome to this aspect of Ms A’s complaint. I realise that Ms A disagrees, but it must be remembered that this compensation is paid purely for the poor service that Ms A received and isn’t being paid in any way as compensation for any frustration or inconvenience Ms A may have incurred because her loan application was declined – which as explained, I don’t feel was unfair.

I’ve therefore considered the impact on Ms A of the poor service she received, and this include that I feel that some of Ms A’s expectation of the service she should have received, such as that HSBC should have provided a detailed explanation of their lending criteria to her, was unreasonable. Finally, I’ve also taken the general framework that this service uses when assessing compensation amounts (details of which are available on this service’s website) into account.

In consideration of all these factors I feel that £150 is a fair compensation amount and I confirm that it's commensurate with what I might have instructed HSBC to have paid here, had they not already offered to do so. Accordingly, while I will be upholding this complaint in Ms A's favour, I'll only be doing so to formally instruct HSBC to pay the £150 to Ms A that they've already offered to pay, and I won't be issuing any further instructions to HSBC beyond that.

I realise this may not be the outcome Ms A was wanting, but I hope that she'll understand, given what I've explained, why I've made the final decision that I have.

Putting things right

HSBC must pay £150 to Ms A.

My final decision

My final decision is that I uphold this complaint against HSBC UK Bank Plc, trading as HSBC UK, on the basis explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms A to accept or reject my decision before 23 October 2025.

Paul Cooper
Ombudsman