

The complaint

Mr S believes HSBC UK Bank Plc acted irresponsibly when it increased his credit card limit.

What happened

In May 2020 Mr S applied for a credit card with HSBC. This application was approved with a credit limit of £1,000. The credit limit was subsequently increased to £2,000 in January 2022. It is this credit limit increase which is the subject of this complaint. I understand the limit was subsequently reduced by HSBC to £1,000 in November 2023.

In January 2025 Mr S complained to HSBC about its decision to increase his credit limit. The details of the complaint are familiar to both sides, so I won't repeat them in detail here. But, in short, Mr S said that HSBC "*increased [his] credit card limit...allowing [him] to get further into debt*" at a time when he was "*spending hundreds of pounds on gambling and [already] had high levels of debt*".

In September 2024, HSBC issued its final response, in which it did not uphold the complaint. In short, HSBC said that "*after a review on [Mr S's] credit card a facility increase was offered to which [he] accepted this was not automatically applied*".

Unhappy with this, Mr S referred the matter to our service.

One of our investigators reviewed Mr S's complaint and issued their opinion in September 2025. In doing so, the investigator said that they did not think HSBC had acted unfairly, and so they didn't recommend that the complaint be upheld. In short, the investigator was of the view that he did not have sufficient information to conclude HSBC conducted reasonable and proportionate checks prior to agreeing to lend, however, in his view, further checks would not have given HSBC cause to conclude the lending would be unaffordable or unsustainable for Mr S.

Mr S didn't agree and, as an agreement couldn't be reached, the complaint has been passed to me to decide.

Before I proceed, I note that Mr S raised a separate complaint concerning HSBC's decision to approve an overdraft limit increase. That matter is being considered under a separate complaint reference number, and it is not the subject of this 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.

The Financial Ombudsman Service has set out its general approach to complaints about irresponsible and unaffordable lending on its website. And, having taken this into account along with everything else I need to consider, I don't think this complaint should be upheld. I recognise this will be disappointing for Mr S. I hope my explanation helps him to understand why I've come to this conclusion.

Whilst I've carefully thought about everything that has been said and provided by both parties, I won't comment on everything in my decision. This is not intended as a courtesy to either party, but it reflects the informal nature of this service in resolving disputes.

HSBC needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr S could repay the borrowing in a sustainable way.

These checks weren't prescriptive, but could take into account a number of different things such as how much was being lent, the repayment amounts and the consumer's income and expenditure.

So, in keeping with the information on the Financial Ombudsman Service's website, I think there are a number of overarching questions I need to consider when deciding a fair and reasonable outcome given the circumstances of this complaint:

1. Did HSBC carry out reasonable and proportionate checks to satisfy itself that Mr S was likely to have been able to repay the borrowing in a sustainable way?
 - i. If HSBC carried out such checks, did it lend to Mr S responsibly using the information it had?

Or

- ii. If HSBC didn't carry out such checks, would appropriate checks have demonstrated that Mr S was unlikely to have been able to repay the borrowing in a sustainable way?

2. If relevant, did Mr S lose out as a result of HSBC's decision to lend to him?
3. Did HSBC act unfairly or unreasonably in some other way?

There are many factors that could be relevant when determining how detailed proportionate checks should have been. And while much will depend on the circumstances in question, the more obvious factors include – though aren't necessarily limited to:

- The type of credit Mr S was applying for along with the size, length and cost of the borrowing; and
- Mr S's financial circumstances – which included his financial history and outlook along with his situation as it was, including signs of vulnerability and/or financial difficulty.

And generally speaking, I think reasonable and proportionate checks ought to have been more thorough:

- The lower an applicant's income because it could be more difficult to make the repayments as a result;
- The higher the amount repayable because it could be more difficult to meet a higher repayment, especially from a lower level of income; and
- The total cost of the credit.

As a result, the circumstances in which it was reasonable to conclude that a less detailed affordability assessment was proportionate strike me as being more likely to be limited to applicants whose financial situation was stable and whose borrowing was relatively insignificant and short-lived – especially in the early stages of a lending relationship.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mr S's complaint.

Did HSBC carry out reasonable and proportionate checks?

In this case, HSBC says it conducted a "*full creditworthiness review*" prior to agreeing to lend. It is my understanding this consisted of reviewing information it holds on existing accounts and external information gathered from credit reference agencies with a particular focus on, amongst other things, signs of financial difficulty (such as delinquency with it or other lenders), levels of indebtedness and average utilisation.

HSBC has provided a high-level summary of the credit file information it obtained prior to agreeing to lend. HSBC found Mr S had no bankruptcies, defaults, outstanding CCJs or arrangement markers on his credit file. HSBC also found Mr S had £37,650 in unsecured debt spread across six active accounts. Of this, £22,591 was in the form of revolving credit with other lenders.

Our investigator asked HSBC for further evidence to support the checks it completed but it's explained it does not hold this information from when the limit increase was made.

The first thing I would say is that the checks HSBC carried out (and has been able to evidence) suggests Mr S did appear to be quite heavily indebted at the time it agreed to increase his credit card limit. This is not, in and of itself, a reason to refuse to lend. I say this noting the level of indebtedness relative to Mr S's income. Nonetheless, it could be argued that this may warrant HSBC conducting more searching enquiries to ensure that additional lending was affordable and sustainable for Mr S.

But, perhaps more fundamentally, HSBC has given our service some general analysis concerning indicators of financial difficulty and a high-level overview of credit reference agency data in support of its position that the checks it conducted were reasonable and proportionate. In my view, there is insufficient evidence available for me to be able to safely conclude that this was the case.

I say this because HSBC hasn't provided a detailed copy of the information it gathered from the credit check it completed – only a brief summary of what it considers to be relevant. Nor has it provided details of the information it gleaned from its review of Mr S's existing accounts (except for the general analysis I've mentioned) including, but not limited to, any information about his income or expenditure. In the absence of this information, I find it difficult to conclude that the checks were reasonable and proportionate in the circumstances.

Would reasonable and proportionate checks have demonstrated that Mr S was likely to have been able to repay the borrowing in a sustainable way?

It isn't possible to determine with certainty what reasonable and proportionate checks would have shown HSBC in practice as I don't know what checks it would have decided to carry out if it had its time again.

As a result, what I'm considering here is the likelihood of reasonable and proportionate

checks showing HSBC that Mr S would have been able to sustainably repay the borrowing in question. And for that reason, it is necessary to now consider information that HSBC hadn't considered (or possibly did consider but hasn't evidenced) in January 2022.

Mr S's main bank account was with HSBC. I've reviewed Mr S's bank statements covering the three months prior to the lending in question (i.e. October – December 2021) to build up an understanding of the information HSBC would likely have seen at the time it agreed to increase Mr S's credit limit. I'll refer to this as 'the Relevant Period'.

However, I wish to be clear that I would not necessarily expect HSBC to have conducted a forensic analysis of Mr S's bank statements prior to agreeing to lend. That would seem disproportionate relative to the size of the lending in question. Instead, I would expect HSBC to use this information to identify any obvious indicators Mr S was having trouble managing his money to the extent that it should have refused to lend.

Having spent time reviewing these bank statements I do not think, on balance, HSBC would have made a different lending decision if it had seen this information.

I accept that the statements did reveal some early warning signs that Mr S may have begun having problems managing his money. After all, I can see Mr S exceeded his overdraft limit for brief periods in the two months prior to the lending in question. Further, I can see Mr S took out further borrowing with another lender just a month prior to the credit limit increase.

But, looking at things in the round, I'm not persuaded there was enough cause for HSBC to refuse to lend at this stage. I say this noting that the statements from the Relevant Period show that Mr S received an average monthly income of around £3,500 and his committed expenditure (Direct Debits and Standing Orders) was such that it would have appeared Mr S had a degree of disposable income. So, HSBC would have reasonable cause to conclude that Mr S could absorb the additional borrowing without undue difficulty.

I say this noting that Mr S was provided with a revolving credit facility rather than a loan. And this means that HSBC was required to understand whether a credit limit of £2,000 could be repaid within a reasonable period of time, rather than in one go. A credit limit of £2,000 would not have required large monthly payments in order to clear the full amount owed within a reasonable period of time. And, on the face of it, Mr S was in a position to sustainably repay the borrowing in question.

I think this position is reinforced by the fact Mr S did appear to be managing his credit card account well. The account had been maintained within agreed limits and just a few months prior to the lending in question Mr S had cleared the balance in full. Further, it looks like Mr S made an additional payment (above the minimum payment) in the month prior to the lending in question.

I understand Mr S's financial situation worsened in the months that followed which resulted in him taking out further borrowing, returned Direct Debits and, ultimately, HSBC deciding to decrease his credit limit. But I think these financial difficulties were in the early stages at the point HSBC agreed to lend. On balance – noting the size of the lending in question - I don't think there was enough adverse information evident which ought to have caused HSBC to refuse to lend.

Mr S has said that he was gambling heavily at the time. I agree there were gambling transactions present on his HSBC account in the Relevant Period. However, I'm not persuaded that HSBC was required to conduct the kind of forensic analysis – noting the size of the lending in question – which would have revealed this information. But, in any event,

I'm not persuaded the extent of these transactions – relative to Mr S's income – ought to have given HSBC cause to refuse to lend at this stage.

With all of this in mind, if HSBC had made further checks, as I think it should have, then I think it's unlikely it would have decided the lending in question was unaffordable or unsustainable for Mr S. I think it would have concluded that Mr S would, more likely than not, be able to make the payments necessary to repay what he could owe within a reasonable period of time at the lending decision was made.

So, I don't think HSBC acted unfairly by agreeing to lend.

Did HSBC act unfairly or unreasonably in some other way?

In determining this matter, I've also considered whether HSBC acted unfairly or unreasonably in some other way given what Mr S has complained about, including whether their relationship with him might have been viewed as unfair by a court under s.140A Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think HSBC lent irresponsibly to Mr S or otherwise treated him unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

With that being the case, whilst I understand this will come as a disappointment to Mr S, I do not uphold this complaint.

My final decision

For the reasons I've explained, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 23 December 2025.

Ross Phillips
Ombudsman