

### The complaint

Mr S complains that HSBC UK Bank Plc lent to him irresponsibly when it agreed to increase his overdraft limit.

### What happened

The facts of this case are familiar to both sides, so I don't intend to repeat everything in detail here. Instead, I'll provide a summary.

HSBC's records show Mr S has had an £800 overdraft facility on his account for some time. Due to the passage of time, it is unclear when the overdraft was initially provided, but it was at least six years prior to the date of complaint.

The limit was subsequently increased three times as follows:

Overdraft Limit Increase (OLI) Number	Date	Existing Limit	Limit Increase	New Limit
1	23 December 2019	£800	£200	£1,000
2	10 August 2021	£1,000	£1,500	£2,500
3	16 October 2021	£2,500	£500	£3,000

In September 2024, Mr S complained to HSBC about its decision to increase his overdraft limit. In doing so Mr S alleged HSBC agreed to increase his overdraft limit to an amount he could not afford to repay. Mr S says he was *"in a lot of debt and he was struggling to pay back loans"*. Mr S also said he *"was gambling a lot"* which would have been apparent to HSBC.

Later that month, HSBC issued its final response letter in which it did not uphold Mr S's complaint.

Unhappy with this, Mr S referred his complaint to our service.

One of our investigators looked into the complaint. During the course of their review of the complaint, the investigator asked Mr S to clarify the point at which he felt HSBC ought to have ceased lending to him. Mr S confirmed this was from 2021 (i.e. from OLI 2 onwards).

In September 2025, the investigator issued their opinion in which they upheld the complaint in part. In short, the investigator said that whilst HSBC made fair lending decisions with regards to OLI 2 and 3, it did not do so when it continued to provide the facility, on the same terms, beyond the first annual review in October 2022. Therefore, the investigator recommended, amongst other things, that HSBC re-work Mr S's current overdraft balance so that all interest, fees and charges applied to it from October 2022 onwards are removed.

Mr S accepted the investigators findings. However, HSBC did not agree.

As an agreement couldn't be reached, the complaint has been passed to me to decide.

I note Mr S has also raised a complaint about HSBC's decision to provide him with a credit card limit increase. This complaint has been considered under a separate complaint reference number and, therefore, is not the subject of this decision. This decision will focus solely on HSBC's decision to provide Mr S with an overdraft facility.

### **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've reached the same conclusion as our investigator. This being that the complaint should be upheld in part. I'll explain why. However, before I do, it is important to set out the scope of this decision.

As I've said, Mr S has had an overdraft with HSBC for some time. Mr S has made it clear in his submissions that his complaint only concerns HSBC's decision to begin increasing his overdraft in 2021 (OLI 2). Therefore, this decision will focus on events from this point onwards.

I would like to make it clear that I'm aware that I've summarised this complaint above in less detail than it may merit. No courtesy is intended by this. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

If there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome. I will, however, refer to those crucial aspects which impact my decision. Lastly, I would add that where the information I've got is incomplete, unclear or contradictory, I've based my decision on the balance of probabilities.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Mr S's complaint.

### The lending decisions

Our investigator did not uphold Mr S's complaint about the overdraft limit increases (OLI 2 and 3). And, as I set out in the prior section, Mr S accepted our investigator's findings.

What's more, HSBC only disagreed with our investigator insofar as their findings relate to the first annual review *after* OLI 3. So, it seems the lending decisions (i.e. OLI 2 and 3) are no longer in dispute. With that being the case, I see no reason to say much on this issue.

Instead, this decision will focus on whether HSBC acted fairly when it conducted the first annual review in October 2022.

However, for completeness, I agree with the overall outcome our investigator reached with regards to OLLs 2 and 3 – and for the same reasons. This being that I think HSBC carried out reasonable and proportionate checks prior to agreeing to lend and, in doing so, didn't uncover anything which ought to have given it cause to refuse to lend.

Therefore, like our investigator, I don't think HSBC acted unfairly when it increased the overdraft limit.

### Mr S's account performance

I've turned to consider what happened after OLI 3 was approved in October 2021. The regulations applicable at this time – which had been in place for some time - were set out by the industry regulator, the Financial Conduct Authority, in its Consumer Credit Sourcebook (CONC).

CONC 6.7.2R(1) said "A firm must monitor a customer's repayment record and take appropriate action where there are signs of actual or possible repayment difficulties."

They must identify any customers in respect of whom there is a pattern of repeat use, and where there are signs of actual or potential financial difficulties. It gives examples of what may be signs of actual or potential financial difficulties, one of which is where a customer becomes or remains overdrawn in every month over a preceding 12-month period.

While CONC doesn't set timeframes in which businesses ought to review overdrafts, we generally expect a review to take place at least annually (or when a new limit is applied for) and that such a review would consider things such as:

- how the account is funded;
- how often the account has a credit balance;
- how the overdraft facility is being used; and
- whether there were any signs of financial difficulties, which might mean the customer would struggle to repay their overdraft within a reasonable period of time.

The rules, guidance and good industry practice in place typically require a bank to review an account on an ongoing basis. And it is generally accepted that a bank should review a customer's overdraft usage on an annual basis. I have considered what HSBC would have identified based on ongoing monitoring and reviews carried out at the renewal dates. In the absence of evidence to suggest otherwise, I have assumed the reviews took place in October each year – this being one year on from the last credit limit increase.

With that being the case, I've looked carefully at the bank statements to understand what HSBC would have seen in October 2022.

Having done so, I think HSBC acted unfairly when it continued to provide the overdraft, on the same terms, from October 2022 onwards. I'll explain why.

Mr S's account statements from October 2021 to October 2022 (I'll refer to this as the 'Relevant Period') show that he had been using his overdraft consistently and often towards the upper limit. Indeed, the account hadn't seen a credit balance during the Relevant Period<sup>1</sup>. Even upon receipt of his salary Mr S often remained in a not insignificant overdrawn balance. In fact, it looks like Mr S went beyond the agreed overdraft limit in every month (except May and June 2022) in the Relevant Period.

What's more, it seems clear Mr S was relying on credit to get by. In particular, I can see Mr S took out high-cost loans in December 2021, March 2022, July 2022, August 2022 and September 2022 (immediately prior to the annual review) to help manage his financial situation.

Further, I note Mr S saw numerous Direct Debits reversed due to insufficient funds during the Relevant Period – including (amongst others) a repayment of a loan to another lender in January 2022, payments to DVLA and TV Licensing in April 2022, payments to a telecommunications company in April and August 2022 and a payment to an energy supplier

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<sup>1</sup> Except for a few days in April 2022.

in September 2022. The smallest of these returned Direct Debits was just £13.56, which provides some insight into the difficulties Mr S was experiencing.

I accept that there was a degree of discretionary expenditure during the Relevant Period but, in my view, Mr S's account performance displays signs of actual or potential financial difficulties as described by CONC. After all, overdrafts are intended for short term emergency borrowing and are priced by lenders accordingly. They are not designed for long-term borrowing or prolonged day to day expenditure. As a result of being allowed to run his account in constant overdraft, Mr S has paid a significant amount in charges and interest.

HSBC has shown this service that it wrote to Mr S regarding his persistent usage and the cost of his overdraft facility. But I don't think that was enough in this instance to fulfil its obligations under CONC. Rather I think it ought to have done more given he was displaying signs of actual or potential financial difficulties as described by CONC.

In response to the investigators opinion, HSBC pointed out that Mr S has, as recently as July 2025, attempted to increase his overdraft limit despite lodging a complaint about the affordability of the lending. I understand the point HSBC is making here. However, I do not think this has a material impact on the outcome I've reached. I say this because Mr S's recent application(s) for an overdraft limit increase are not, in my view, evidence that HSBC acted fairly when it continued to provide the lending, on the same terms, in October 2022 – some three years earlier at which point he was, in my view, displaying signs of actual or potential financial difficulties as described by CONC. After all, it is entirely possible his circumstances have changed in the intervening period.

In addition, I note, as the investigator did, that there was some gambling present on the bank statements during the Relevant Period. However, I'm not necessarily persuaded that this was to the extent to which HSBC ought to have been concerned – particularly relative to Mr S's income. But I need not consider this further because, for the reasons I've explained, I don't think HSBC ought to have continued to provide the lending, on the same terms, from October 2022 in any event.

Looking at things in the round, I think that by October 2022 HSBC ought to have realised that Mr S was struggling to manage and unlikely to be able to sustainably repay his overdraft without help. In these circumstances, HSBC should have stopped providing the overdraft on the same terms. It should have instead treated Mr S with forbearance, even if this meant taking corrective action in relation to the facility. This is particularly as Mr S had already demonstrated an ongoing inability to reduce and clear the overdrawn balance, despite having taken on more debt.

If HSBC had appropriately monitored Mr S's overdraft use and intervened in line with its obligations under CONC, I don't think he would have paid the charges and interest for the use of the overdraft, and HSBC wouldn't have benefitted from them, from October 2022 onwards. It's fair then, that the charges and interest paid should be returned to him.

So, in summary, I uphold Mr S's complaint regarding the provision of the overdraft facility from October 2022 onwards.

*Did HSBC act unfairly or unreasonably towards Mr S in some other way?*

In reaching this decision, 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, I'm satisfied the redress I have directed below results in fair compensation for Mr S in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

## **Summary**

Having carefully considered all the facts of this case, I don't consider that HSBC acted fairly in allowing Mr S to continue to operate his overdraft on the same terms from October 2022. It needed to take steps to intervene, provide him with forbearance and apply active measures to enable him to reduce his overdraft debt. It follows that, in my view, HSBC didn't treat Mr S fairly.

## **Putting things right**

Finding the fair and reasonable way to put things right in this situation is not straightforward. What HSBC ought to have done, in my view, is begin to reduce Mr S's overdraft limit from October 2022. And so, the amount of interest he was paying ought also to have gradually reduced.

However, reconstructing the pace and trajectory of those reductions over three years later is nigh on impossible.

Taking into account my role to resolve complaints quickly and with the minimum of formality, and also my ability under Section 229 (2) (b) of the Financial Services and Markets Act 2000 to award what I consider to be fair compensation, I think the fairest outcome will be for HSBC to:

- Re-work Mr S's account so that all interest, fees and charges applied to it from 22 October 2022 onwards are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made HSBC should contact Mr S to arrange a suitable repayment plan for this. Mr S is encouraged to get in contact with and cooperate with HSBC to reach a suitable agreement for this. If it considers it appropriate to record negative information on Mr S's credit file, it should backdate this to October 2022.

OR

- If the effect of removing all interest, fees and charges results in there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Mr S along with 8% simple interest† on the overpayments from the date they were made (if they were) until the date of settlement. If no outstanding balance remains after all adjustments have been made, then HSBC should remove any adverse information from Mr S's credit file.

† HM Revenue & Customs requires HSBC to take off tax from this interest. HSBC must give Mr S a certificate showing how much tax it's taken off if he asks for one.

## **My final decision**

For the reasons I've explained, my final decision is that this complaint should be upheld.

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**