

## **The complaint**

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

Mrs G is represented by a solicitor's firm in bringing this complaint. But for ease of reading, I'll refer to any submission and comments they have made as being made by Mrs G herself.

## **What happened**

Mrs G was approved for a HSBC credit card in February 2022, with a £4,500 credit limit. The credit limit was increased to £5,000 in August 2023. In December 2024, the credit limit was increased for a final time to £5,500. Mrs G says that HSBC irresponsibly lent to her. Mrs G made a complaint to HSBC.

HSBC did not uphold Mrs G's complaint. They said that Mrs G met their criteria, and her application was approved. Mrs G brought her complaint to our service. Our investigator upheld Mrs G's complaint. He said that there were inconsistencies with the income HSBC used in the affordability assessment which should have prompted further checks, and further checks would have shown the lending was not affordable for Mrs G.

HSBC asked for an ombudsman to review the complaint. In summary, they said that there was no indication a more thorough affordability assessment should have been completed, and it would not be practical for them to request payslips/bank statements for each lending decision. They said they used modelling, which is industry standard to assess Mrs G's outgoings, and they believed the lending was responsible.

## **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 or increase the credit available to Mrs G, 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.

### *Acceptance for the HSBC credit card*

A CRA reported that Mrs G had unsecured debt of £3,900, and revolving debt (such as credit cards, store cards, overdrafts, etc) of £3,200. The CRA reported that Mrs G 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. But the lending checks showed that Mrs G had opened two accounts in the previous six months, so this could be a sign of financial difficulty if Mrs G was hungry for credit.

HSBC also completed an affordability assessment. This used modelling to estimate Mrs G's outgoings. And I agree that it would be proportionate to use modelling here with there being no adverse information showing.

Mrs G declared a gross annual income of £15,600, and she also declared a net monthly income of £762. I'm not persuaded that it is fair to automatically say that one of these figures was an error. I'm persuaded that they can both be possible. While on the surface it may look like either the gross annual income is too high for a net monthly income of £762, or the net monthly income is too low for a gross annual income of £15,600, there could be a number of reasons why both figures could be correct.

I say this because Mrs G could have used salary sacrifice/made pension contributions larger than the minimum auto enrolment payments, she may have had student loans which are deducted from her gross income, and she could have been on a wrong tax code and overpayments are being recouped from her gross salary, to name a few reasons.

But in HSBC's affordability assessment, they used a net monthly figure of £1,118, which was £356 higher than what Mrs G declared as a net monthly income. HSBC's affordability assessment showed that Mrs G would have a disposable income of £328 a month to make repayments to the account. But if Mrs G's net monthly income was genuinely what she declared, then she may have -£28 a month disposable income before she even makes repayments to the HSBC credit card after deducting the estimated outgoings..

Alternatively, Mrs G may have made an error in typing her net income into the application field. But either way, I'm persuaded that HSBC should have made further checks, as the net monthly income wasn't used that Mrs G declared, and there wasn't a sufficient disposable income based on the affordability assessment HSBC completed to incorporate the lower declared monthly income, without further checks.

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 G to ask her to confirm if her net monthly income was genuinely £762. Or they could have asked for her bank statements as part of a proportionate check to ensure the lending was sustainable and affordable for her.

Mrs G has provided the bank statements for her main account. But these show multiple credits/debits for other accounts Mrs G was named on. So our investigator asked her to provide the account statements for the other accounts also.

I've reviewed the account statements for all of Mrs G's various accounts leading up to this lending decision. In the main, the transfers Mrs G largely credit/debit each account cancels each other out. I can see there was a transfer into her account for £1,000 with a reference of "wedding money". This is not paid into the account by Mrs G or the joint account holder (as it has a different initial to the joint account holder), and based on the reference it wouldn't be proportionate to include this as a regular income Mrs G received to make sustainable repayments to the HSBC credit card.

Mrs G's net income is less than what HSBC had used in their affordability assessments. And there are signs of financial difficulty, as she completed a number of money transfers from an active credit card she had at the time totalling £1,328. Mrs G's statements did not support that a £4,500 credit limit would be affordable and sustainable for her. So I'm not persuaded that HSBC made a fair lending decision here.

#### *Future credit limit increases*

If Mrs G's application was not approved, then it's probable that the further lending decisions

wouldn't have happened after this either. So I think there is an argument for saying that Mrs G's complaint about the subsequent lending decisions should be upheld without making a finding on reasonable and proportionate checks. After all, if matters had played out as the evidence suggests they should have done in February 2022, then I'm not persuaded that Virgin Money would've added to the credit.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed at the end of this decision results in fair compensation for Mrs G in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

### **Putting things right**

Our investigator has suggested that HSBC takes the actions detailed below, which I think is reasonable in the circumstances. In addition to this, if HSBC do not own the debt anymore for the account, then they should also transfer any debt back to themselves if it has been passed to a debt recovery agent or liaise with them to ensure the redress set out below is carried out promptly.

### **My final decision**

I uphold this complaint. HSBC UK Bank Plc should take the following actions:

HSBC should arrange to transfer any debt back to themselves if it has been passed to a debt recovery agent or liaise with them to ensure the redress set out below is carried out promptly;

Rework the account removing all interest, fees, charges, and insurances (not already refunded) that have been applied;

If the rework results in a credit balance, this should be refunded to Mrs G along with 8% simple interest per year\* calculated from the date of each overpayment to the date of settlement. HSBC should also remove all adverse information regarding this account from Mrs G's credit file;

Or, if after the rework there is still an outstanding balance, HSBC should arrange an affordable repayment plan with Mrs G for the remaining amount. Once Mrs G has cleared the balance, any adverse information in relation to the account should be removed from Mrs G's credit file.

*\*If HSBC considers that they are required by HM Revenue & Customs to deduct income tax from that interest, they should tell Mrs G how much they've taken off. They should also give Mrs G a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.*

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 18 November 2025.

Gregory Sloanes  
**Ombudsman**