

The complaint

Mr O complains that HSBC UK Bank Plc, trading as first direct, lent to him irresponsibly.

In bringing his complaint, Mr O is supported by a professional representative; for ease, though, I'll refer to all actions and submissions as being those of Mr O.

What happened

Mr O opened a credit card with first direct in October 2022; the opening credit limit was £2,000, and it was never increased.

A while later, in August 2024, Mr O complained to first direct. He said, in summary, that he thought first direct had irresponsibly provided the credit card. Mr O held the view that first direct hadn't conducted suitable checks before approving his application. In response, first direct didn't uphold Mr O's complaint. Ultimately, it defended its decision to lend and said it had carried out suitable checks in the circumstances.

Mr O contacted this Service for an independent review, and an Investigator here looked at what had happened. Having done so, the Investigator didn't think Mr O's complaint should be upheld. In short, they said:

- first direct had carried out proportionate checks in the circumstances before agreeing to lend.
- Nothing revealed in the results of those checks suggested the credit card was, or would be, unaffordable for Mr O. As such, given the results of its proportionate checks, first direct didn't need to verify Mr O's financial position.
- With all of that in mind, first direct hadn't acted irresponsibly in the circumstances.

Mr O disagreed. He maintained that first direct hadn't done enough to understand his financial position before agreeing to lend. He put forward specific argument about how first direct hadn't reviewed his bank statements – despite being in possession of them, as the provider of his current account. Mr O thought first direct ought to have gone into more detail and, if it had, it would've realised the credit was unaffordable for him.

Our Investigator reconsidered, in light of Mr O's comments, but they didn't change their mind. They reiterated that first direct had carried out proportionate checks in the circumstances. Mr O asked for an Ombudsman's decision; so, as no agreement has been reached, the complaint has now been passed to me to decide.

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.

To put things simply, when making a lending decision, first direct needed to make sure that it didn't provide loans irresponsibly. In practice, what this means is that it needed to carry out

proportionate checks to be able to understand whether any lending was sustainable; first direct had to do so with Mr O's specific circumstances in mind before providing any credit.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify that information – in the early stages of a lending relationship.

That said, we might think a lender needed to do more if, for example, a borrower's income was low, or the amount lent was high. Additionally, the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. Fundamentally, we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

I've looked at what first direct did before approving Mr O's application for a credit card. From what I've seen, it used Credit Reference Agency ("CRA") data to build a view of his existing credit commitments and how he was managing them; it used Office of National Statistics ("ONS") data to help determine Mr O's day-to-day expenses, and it gathered details of Mr O's income – which it then verified using a third-party report.

The verification of Mr O's income revealed a figure that was less than he'd declared, but not substantially so. There weren't any recent defaults, nor missed payments, returned in the CRA data; no County Court Judgements or Individual Voluntary Arrangements were recorded either. When considering Mr O's income against the statistical expenditure data, first direct found that he was left with enough disposable income to meet his essential expenses, his existing commitments and this new credit card – as well as having some remaining income for any unforeseen expenses. So, it approved his application. Broadly, with all of that in mind, I'm satisfied that the results of first direct's checks wouldn't have revealed pressing cause for concern; it follows that I don't think there was a need for first direct to go any further in terms of checking or verifying.

I know Mr O's opinion is such that first direct ought to have carried out more detailed checks, particularly into his bank statements given it already had access to them. But the fact is that there are no fixed checks that businesses must complete when reviewing an application for credit. Broadly speaking, there's no fundamental requirement for a lender to review specific things such as bank statements, for example, as a matter of course – even if it is the provider of the relative current account. If Mr O had demonstrated significant issues with his current account then I would, of course, expect first direct to have noted and considered that; but that isn't the case here. So, I can't fairly say that first direct was wrong to not forensically review Mr O's bank statements – there was, simply put, no regulatory requirement to do that. Instead, the results of the checks first direct did carry out, alongside Mr O's general current account conduct, didn't suggest any obvious cause for concern.

Broadly then, to sum up, I'm satisfied that the checks first direct carried out were proportionate and showed Mr O should be able to afford the repayments. There wasn't anything else to suggest that the credit card would either be unaffordable or unsustainable. It follows that I don't think first direct treated Mr O unfairly or unreasonably, and I don't uphold this complaint. Finally, 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.

My final decision

My final decision is that I don't uphold Mr O's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 26 November 2025.

Simon Louth
Ombudsman