

Complaint

Mr A has complained about personal loans HSBC UK Bank Plc ("HSBC") provided to him. He says that these loans were unaffordable and shouldn't have been provided.

Background

HSBC provided Mr A with a first loan for £24,140.00 in August 2023. The loan had an APR of 9.9% and a term of 50 months. This meant that the total amount to be repaid of £29,320.84, which included interest, fees and charges of £5,180.84, was due to be repaid in a first monthly payment of £586.75 followed by 49 monthly repayments of £586.41.

Mr A was provided with a subsequent loan in April 2024. Loan 2 was for £5,240.00. This loan had an APR of 12.9% and a term of 36 months. This meant that the total amount to be repaid of £6,284.04, which included interest, fees and charges of £1,044.04, was due to be repaid in a first monthly payment of £174.44 followed by 35 monthly instalments of £174.56. As this loan ran concurrently to loan 1, this mean that Mr A had to make total monthly loan payments of around £760 for the period loan 2 was due to run.

One of our investigators reviewed what Mr A and HSBC had told us. And he thought that HSBC hadn't done anything wrong or treated Mr A unfairly when providing him with either of these loans. So he didn't recommend that Mr A's complaint be upheld.

Mr A disagreed with our investigator's assessment and asked for an ombudsman to look at his complaint.

My findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

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 A's complaint.

Having carefully considered everything, I've not been persuaded to uphold Mr A's complaint. I'll explain why in a little more detail.

HSBC needed to make sure that it didn't lend irresponsibly. In practice, what this means is HSBC needed to carry out proportionate checks to be able to understand whether Mr A could afford to repay before providing him with his loans.

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 it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of

it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

HSBC says it agreed to Mr A's applications after he provided details of his monthly income and some information on his expenditure. It says it cross-checked this against information on a credit search it carried out. In its view, all of this information showed Mr A could afford to make the repayments he was committing to.

On the other hand, Mr A has said he should never have been provided with these loans due to his overdraft usage and his other debts.

I've carefully thought about what Mr A and HSBC have said.

The first thing for me to say is that this wasn't simply a case of HSBC accepting over-optimistic declarations of Mr A's monthly disposable income at face value. HSBC took steps to check Mr A's income and while its credit searches did show that Mr A had some existing debts, these weren't excessive (compared to the amount of his income) and at the time of the applications, at least, were being reasonably managed.

Given what HSBC's credit searches showed, Mr A's income and the rest of the information declared, I'm satisfied that there was no obvious reason for it to question the rest of the information it had obtained during its assessments. As this information suggested that the monthly loan repayments were affordable, I don't think that it was unfair or unreasonable for HSBC to reach this conclusion.

For the sake of completeness, I would also add that I'm not persuaded that HSBC doing more here would have made a difference to its decision to lend. I say this because given the total amount that Mr A had to pay to HSBC, there is a reasonable argument for saying that it needed to find out about his actual living expenses before determining that these monthly loan payments were affordable for him.

However, having considered the bank statements that have been provided, I've not seen anything that shows me that when Mr A's committed regular living expenses, other non-discretionary expenditure and his existing credit commitments were deducted from his income, at the respective times, he did not have the funds to make the monthly payments to these loans.

It is only fair and reasonable for me to uphold a complaint in circumstances where I can see that any additional credit provided was clearly unaffordable. And having considered all the information provided, I've not been persuaded that reasonable and proportionate checks would more likely that not have shown HSBC that the monthly payments required for these were as a matter of fact unaffordable for Mr A. As this is the case, I'm satisfied that HSBC was reasonably entitled to proceed with Mr A's applications for these loans.

I've also noted what Mr A has said about being told by his mortgage adviser and his lawyer that it was unfair for him to have been provided with loans that had different interest rates. However, I'm afraid that Mr A has been misinformed. The interest rates offered for a loan will be determined by more than just the Bank of England's base rate. A lender will typically consider things like the amount being borrowed, the term of a loan and the customer's overall financial position, as well as wholesale interest rates, when determining what interest rate it is prepared to offer on a particular loan.

Given the difference between the amount borrowed for these loans as well as the respective loan terms, I don't think that the variance in the interest rate is unusual here. And I've not been persuaded that the interest rates offered to Mr A were unfair. I say this particularly as

the respective interest rates were clearly set out in the pre-contract information Mr A was provided with and the loan agreements that he signed. As Mr A chose to go ahead on these terms, I can only assume that he considered them acceptable at the respective times.

In reaching these conclusions, I've also considered whether the lending relationship between HSBC and Mr A might have been unfair to Mr A under section 140A of the Consumer Credit Act 1974 ("CCA").

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

So overall and having considered everything, I don't think that HSBC treated Mr A unfairly or unreasonably when providing him with either of his loans. And I'm therefore not upholding Mr A's complaint. I appreciate this will be very disappointing for Mr A. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr A's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 8 December 2025.

Jeshen Narayanan
Ombudsman