

The complaint

Ms F has complained that HSBC Bank UK plc (“HSBC”) gave her loans that she couldn’t afford to repay.

What happened

A summary of Ms F’s loan history can be found below. Both loans had an APR of 7.9%.

loan number	loan amount	total to repay	agreement date	repaid date	number of monthly instalments	highest repayment per loan
1	£8,000	£9,593.63	14/05/2019	28/01/2022	58	£165.56
2	£10,300	£12,054.86	28/01/2022	outstanding	50	£241.10

£4,962 of loan two went towards settling loan one. Based on the most recent information I have, a balance remains due on loan two.

HSBC considered Ms F’s complaint about the lending, and it didn’t uphold it. Ms F did have further loans taken prior to the loans listed above – the first one was taken in 2002. HSBC said in the final response letter that these earlier loans were subject to a time bar. Unhappy with this response, Ms F referred the complaint to the Financial Ombudsman.

The Investigator decided whether the complaint was made on time (apart from the ones listed above which could be considered). An Ombudsman colleague issued a decision to say only the loans listed above can be looked at. I will not revisit that.

An Investigator then considered the merits of the complaint for the above loans and concluded HSBC had carried out proportionate checks before the loans were granted. And the results of these checks showed the loans to be affordable. Ms F didn’t agree and said in summary.

- When loan 1 was granted Ms F was on a career break and so received no income between February and April 2019. HSBC ought to not have used averages – and should’ve found out about her actual income.
- It is unsafe for the Investigator to have relied on a hypothetical conversation for HSBC to be satisfied that Ms F was back at work.
- Ms F also found other cases on the Financial Ombudsman’s database where other Ombudsmen have said ‘*account turnover*’ isn’t accurate to check income.
- Ms F said she was supporting her ex-husband and the guidance says that HSBC ought to have taken extra care and treated her as a vulnerable consumer.
- Ms F only kept up the payments by borrowing further and using her savings.
- Her account transactions showed financial instability.
- The modelled expenditure by HSBC wasn’t reflective of Ms F’s actual position.
- By loan 2, Ms F’s debts had increased significantly, and this should’ve led to further checks.

- She also had difficulties repaying loan 1 due to COVID-19.
- HSBC ignored the overseas transfers indicating additional financial commitments.

These comments didn't change the Investigator's mind, as no agreement could be reached the complaint has 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.

We've set out our general approach to complaints about unaffordable/irresponsible lending - including all of the relevant rules, guidance and good industry practice - on our website. And I've used this approach to help me decide Ms F's complaint. Having carefully considered everything I've decided to not uphold Ms F's complaint. I'll explain why in a little more detail.

HSBC needed to make sure it didn't lend irresponsibly. In practice, this meant it needed to carry out proportionate checks to be able to understand whether Ms F could afford to repay any credit it provided.

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 checks to be less thorough – in terms of how much information is gathered and what is done to verify it – in the early stages of a lending relationship.

But we might think more needed to be done 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 firm to be able to show that it didn't continue to facilitate a customer's loans irresponsibly.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Ms F's complaint. Having looked at everything, I have decided not to uphold Ms F's complaint and I've explained why below.

Loan 1

Ms F, as part of her application declared she received £40,000 per year income. However, HSBC didn't just accept what Ms F told it. HSBC looked at Ms F's current account turnover – which in effect was a review of the credits into the account for the previous six months. Having carried out this check it worked out her salary was £2,448 per month after tax.

Using account turnover as a method to check income, is in some situations reasonable. But in the circumstances of this complaint, it wasn't proportionate and I say this considering that between February 2019 and April 2019 there was no salaried income at all. I don't think the check into Ms F's income was proportionate given the obvious concern there ought to have been about a recent lack of income.

So, I agree with Ms F that the income check carried out by HSBC ought to have led it to question her further because there was a risk she had no income at all and that would make the loan unaffordable.

I do think HSBC would've been reasonably entitled to ask Ms F about her income and why the account showed no income. I do think it is likely that had HSBC made enquires with

Ms F she would've explained about her career break and how she had now gone back to work.

I know Ms F has said we shouldn't rely on hypothetical conversations but in a situation where HSBC has made an error our approach is, – as far as reasonably possible, to reconstruct what may have happened had it taken further steps. And the first step, in my view would've been to have asked for an explanation as to why the account showed no income.

The explanation Ms F provided the Financial Ombudsman about the career break is plausible and reasonable and so I have no reason to doubt that had she been asked about this at the time in 2019, by HSBC then she would've provided the same answers. And I'm satisfied that HSBC could have been entitled to have relied on the answer.

However, knowing Ms F was back at work after a career break wouldn't have given HSBC an answer about what her income actually was – so HSBC ought to have taken some further steps to check what Ms F would receive going forward.

Having looked at Ms F's bank statements, I can see in the months *after* she returned from her career break that she received a salary of around £2,450 per month – which is broadly in line with what HSBC calculated. As such, while the checks it made into Ms F's income weren't sufficient any further questioning and checking would've seen that she was back at work and earning a similar sum to what it had calculated.

HSBC then worked out what it believed to be Ms F's expenditure. To do so, it used a combination of modelling for essential monthly payments such as council tax, food and utilities – to name a few of the commitments. Ms F declared she was a homeowner, so HSBC took a property payment from the credit search. Based on this assessment it worked out Ms F had sufficient disposable income. In my view, it was reasonable for HSBC to have used statistics to work out Ms F's living costs.

Finally, HSBC conducted a credit search. The results provided wouldn't have given HSBC any cause for concern. Ms F had around £2,600 of existing debt which is modest compared to her annual income. There were also no records of any missed payments, defaults, County Court Judgments or any other type of insolvency. HSBC worked out her monthly credit commitments were around £100 and that seems reasonable. There were no indicators from the credit search to HSBC that she'd struggle to repay this loan.

Overall, HSBC said that after carrying out the creditworthiness assessment there were no indicators or anything to have alerted it that Ms F wouldn't be able to repay the loan.

I appreciate Ms F feels further checks were needed given her comments about the use of her HSBC account which included sending funds to other accounts. But, for this loan where there were minimal outstanding debts and no signs of financial difficulties, I don't think it would've been proportionate, for HSBC to have conducted a line-by-line review of her bank statements.

I think HSBC could've made further checks into Ms F's income, but any further check would've demonstrated to it that the amount it calculated Ms F was earning at the time was broadly accurate. As such, it was entitled to rely on the results of the credit search which showed no adverse payment information as well as the living expenses. Overall, this showed the loan was affordable and so I am not upholding her complaint about HSBC decision to grant the first loan.

Loan 2

Some of the proceeds of this loan went towards settling loan one and Ms F was also given around £5,000 of additional borrowing – and this loan was increasing Ms F's monthly payments by around £75 per month. I've kept this in mind while thinking about the checks HSBC did.

Ms F generally repaid loan 1 as expected, but there were periods where she had some difficulties – but these coincided with the COVID-19 pandemic and I don't think HSBC would've been overly concerned about Ms F's ability to repay the further borrowing that it was granting with this loan.

HSBC carried out the same sort of checks before this loan as it had done for loan one. Having thought about everything I'm satisfied those checks were reasonable and proportionate and I've explained why below.

Ms F said she earned £42,000 per year – which HSBC worked out to be £2,510 per month after tax. HSBC says this was again cross-checked using account turnover. Having looked at Ms F's earnings in the month before this time, what HSBC calculated may have been a little lower than what was actually received by Ms F from her employer – but in any event, it was reasonable for HSBC to use the amount it had calculated.

HSBC then went about working out Ms F's living costs using a combination of modelling, mortgage from the credit file as well as her existing credit commitments. This check indicated to HSBC that Ms F could take on her new loan.

HSBC also carried out a credit search and it has once again provided a summary of the results. There was again, no adverse payment information in the form of defaults, CCJS or missed payments. Indicating to HSBC that Ms F was on top of her commitments as and when they became due.

But Ms F's debt had increased to around £11,000 – which is up significantly from what she had at loan 1. Albeit I would add that I still don't think this amount would've been too concerning to HSBC bearing in mind that all of her existing accounts were paid as expected.

In addition, around £5,000 of that £11,000 would've included the outstanding debt for loan 1 that HSBC knew was being repaid with the proceeds of this loan, so I don't agree that HSBC knowing about this level of debt would've led it to believe it needed to carry out further checks before lending to Ms F.

Although Ms F had her main current account with HSBC there wasn't anything from what I've seen that shows HSBC ought to have been verifying or checking Ms F's bank statements before it lent to her. And even if it did, there wasn't anything immediately obvious from the transactions that would've led it to be concerned that Ms F was having or likely having financial difficulties.

I can see the transfers to other accounts that Ms F had but that didn't mean that HSBC needed to ask to see those statements – I know Ms F will be unhappy with this but there wasn't anything in either what Ms F declared to it or the results of its checks to have indicated the lending was unaffordable or unsustainable.

Finally, I want to reassure Ms F that I have considered her personal situation at the time the loans were granted and what she's told us about her ex-husband. I've not repeated all the details here because I've not needed to: firstly, to protect Ms F's privacy but secondly, I didn't need to set it all out in order to come to a decision.

There isn't anything to suggest Ms F disclosed to HSBC about what was happening with her ex-husband such as why she was taking out the loans as such I'm satisfied that HSBC had no direct knowledge and as such wouldn't have been in a position to say ask further questions or carry out further checks.

I have also considered everything else but I also don't think there was anything else that HSBC could've picked up on to alert them to wider problems – such as the account movements. I do appreciate that the account movements show transfers to another account and spending in Europe, but I don't think that would've been enough for HSBC to have concluded that there was financial pressure being applied to Ms F. I'm very sorry to say that in the circumstances of this complaint I'm not able to uphold the complaint based on what Ms F has told us.

An outstanding balance remains due – but assuming all payments have been made as expected the balance of the loan may well have been paid or is very close to being repaid. Ms F may wish to speak to HSBC – if she is still having problems who have an obligation to treat her fairly and with forbearance.

I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think HSBC lent irresponsibly to Ms F or otherwise treated her unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

For the reasons given above, I am not upholding Ms F's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms F to accept or reject my decision before 16 March 2026.

Robert Walker
Ombudsman