

The complaint

Miss W complains that HSBC UK Bank Plc lent irresponsibly when it approved her credit card application.

What happened

Miss W applied for an HSBC credit card in April 2024. In her application, Miss W said she was living with her parents and working full time with an annual income of £22,583. HSBC used a service provided by the credit reference agencies to verify the income level given in the application and returned a positive result. HSBC used a net monthly income figure of £1,537 in the application.

A credit search found no evidence of any County Court Judgements, bankruptcy, defaults or recent missed payments. Existing debts totalling £3,250 were noted with monthly repayments of £81.

HSBC completed an affordability assessment using Miss W's income and debt repayments. HSBC also used estimates of £195 for Miss W's housing costs and £720 for her general living expenses. HSBC says that after Miss W's existing outgoings were met she had a disposable income of around £662 a month. HSBC approved Miss W's application and issued a credit card with a limit of £4,000.

More recently, Miss W complained that HSBC lent irresponsibly and it issued a final response. HSBC said it had carried out the relevant lending checks before approving Miss W's application and didn't agree it lent irresponsibly.

An investigator at this service looked at Miss W's complaint. They thought HSBC had completed proportionate checks before approving Miss W's application and that its decision to lend was reasonable based on the information it obtained. The investigator wasn't persuaded HSBC lent irresponsibly and didn't uphold Miss W's complaint.

Miss W asked to appeal and said the affordability assessment didn't reflect her true circumstances. Miss W also said her rent and other outgoings had increased since the application was approved. Miss W added that the £4,000 credit limit was excessive and that the lending caused an ongoing financial and emotional impact. As Miss W asked to appeal, her complaint has been passed to me to make a decision.

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 lend, the rules say HSBC had to complete reasonable and proportionate checks to ensure Miss W could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;
- The duration of the agreement;
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

I've set out the information HSBC used when considering Miss W's application above. Miss W gave an annual income of £22,358 and that figure was verified by HSBC as accurate via the credit reference agencies. So I'm satisfied HSBC was working with a reasonable figure when it used a net monthly income of £1,537 in its affordability assessment.

The credit search showed Miss W had existing debts but I haven't seen anything that shows they were unreasonably high at the time. The credit file found unsecured debts totalling £3,250 and used a monthly repayment figure of £81. I've taken Miss W's comments on board but haven't been persuaded the credit file information HSBC obtained showed she was already overcommitted or experiencing financial difficulties. In my view, the credit file indicated Miss W was in a stable position at the time.

HSBC used estimates for Miss W's housing costs of £195 and general living expenses of £720. I understand Miss W feels the use of estimates wasn't reasonable but I don't agree. The relevant lending rules allow businesses to use estimates for outgoings of this nature when appropriate. And I haven't seen anything in the other application information HSBC obtained that indicates the use of estimates wasn't reasonable or proportionate to the application being considered. I'd generally expect to see a more detailed approach to the lending checks if there were signs of financial strain but haven't seen evidence of that in Miss W's application.

HSBC's affordability assessment reached the view that Miss W had a disposable income of around £662 a month after covering her existing outgoings and I'm satisfied that was a reasonable position following proportionate checks. And I'm satisfied a disposable income of £662 would've been sufficient to sustainably cover repayments to a new credit card with a limit of £4,000. Whilst I've taken all Miss W's comments into account, I haven't been persuaded HSBC lent irresponsibly.

I can see that HSBC's final response to Miss W's complaint includes details of its financial support team and says she can get in contact if she's having trouble maintaining payments. HSBC also provided details of other organisations that may be able to provide support. In addition, our website also contains details of organisations that provide debt advice and support to consumers who need it. Miss W is also welcome to contact our investigator directly for this information.

I've considered whether the business acted unfairly or unreasonably in any other way including 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 Miss W or otherwise treated her unfairly. 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 decision is that I don't uphold Miss W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 27 February 2026.

Marco Manente
Ombudsman