

The complaint

Mrs D complains that HSBC UK Bank Plc declined her application for a loan.

What happened

On 1 May 2025 Mrs D applied for a personal loan with HSBC. The application was referred to underwriting and on 5 May 2025 it was declined.

Mrs D disputed the decision and on 7 May 2025 another underwriter reviewed the application and advised that the previous underwriter hadn't taken account of the fact that Mrs D's current loan was being consolidated into the new loan.

Mrs D's second application was processed on 14 May 2025. The underwriter requested payslips and raised some additional questions about Mrs D's outgoings. The application was declined on affordability grounds.

Mrs D made a third application for a lower amount. This was assessed and declined on affordability grounds.

Mrs D complained to HSBC. HSBC upheld the complaint as they felt that the underwriter should have contacted Mrs D to make sure the income and expenditure was correct before making their decision. HSBC also felt that there had been a lack of communication and a delay in reaching the decision. As a resolution, HSBC removed the credit search and paid £150 compensation.

Mrs D was unhappy with the response and brought her complaint to this service.

Our investigator didn't uphold the complaint. They said they agreed with the way in which HSBC had calculated Mrs D's income and expenditure and said the decision to decline the loan application was fair.

Mrs D didn't agree. She said HSBC had used incorrect financial data which had led to a flawed affordability assessment. Mrs D said the £150 compensation didn't reflect the administrative failure.

Because Mrs D didn't agree I've been asked to review the complaint,

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.

I know it will disappoint Mrs D but I agree with the investigator's opinion. I'll explain why.

I've read and considered the whole file, but I'll concentrate my comments on those points which are most relevant to my decision. If I don't comment on a specific point, it's not because I've failed to take it on board and think about it, but because I don't think I need to comment on it in order to reach what I think is the right outcome.

It's up to each lender to set their own lending criteria. The criteria will vary from lender to lender. The factors that a lender takes into account may include things like credit score, income, existing credit, credit history and debt to income ratio. Information provided by the applicant on the application form as well as information from credit reference agencies is taken into account.

I've reviewed the information relating to Mrs D's applications. I can see that Mrs D applied for a loan of £48,080. This was declined. A second underwriter subsequently reviewed this and found that the first underwriter had failed to account for the fact that Mrs D was consolidating her existing loan of £8,075.

Mrs D's second application was for the same amount. HSBC obtained payslips from Mrs D to check her income. It also asked her additional questions about her expenditure. The loan was declined because HSBC found that Mrs D's outgoings were more than her income.

I've reviewed the income and expenditure assessment carried out by HSBC. Based on what I've seen, I'm unable to say that HSBC has made an error. HSBC has taken account of the fact that Mrs D split bills 50/50 with her partner and has used the information provided by Mrs D to assess her income and outgoings. Having done so, HSBC concluded that the loan wasn't affordable. Mrs D's third application was declined on the same grounds.

I appreciate that Mrs D takes issue with the way in which HSBC carried out its affordability assessment. She's provided an alternative analysis of her income and expenditure. I understand Mrs D's strength of feeling about this. But I'm unable to say that HSBC has made an error or treated Mrs D unfairly in the way it has used the information she provided to calculate her income and outgoings and to assess affordability.

HSBC has acknowledged that it could've handled Mrs D's application better in terms of its communication with her and the time it took to reach a decision. It has offered compensation of £150 for any distress and inconvenience caused by this service failure, which I think is fair and reasonable and in line with what this service would award.

For the reasons I've explained I'm unable to uphold the complaint.

My final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D to accept or reject my decision before 18 January 2026.

Emma Davy
Ombudsman