

Complaint

Miss D has complained about a loan HSBC UK Bank Plc (trading as “First Direct”) provided to her. She says that the loan was unaffordable given her existing debts and circumstances at the time and that proportionate checks would have shown this to be the case.

Background

Miss D has also complained about First Direct providing her with a credit card. However, we’ve already explained that we’re looking at that matter separately. This decision is solely concerned with Miss D’s loan complaint.

First Direct provided Miss D with a loan for £8,000.00 in January 2025. It had an APR of 13.9% and a 36-month term. This meant that the total amount to be repaid of £9,712.99, which included interest, fees and charges of £1,712.99, was due to be repaid in a first monthly repayment of £269.64 followed by 35 monthly payments of £269.81.

One of our investigators reviewed what Miss D and First Direct had told us. And she thought that First Direct hadn’t acted unfairly or lent irresponsibly. So she didn’t uphold Miss D’s complaint. Miss D disagreed and asked for an ombudsman to look at her 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 Miss D’s complaint.

Having carefully considered everything, I’m not upholding Miss D’s complaint. I’ll explain why in a little more detail.

First Direct needed to take reasonable steps to ensure that it didn’t lend irresponsibly. In practice, what this means is that First Direct needed to carry out proportionate checks to be able to understand whether Miss D could afford to make her repayments before providing this loan.

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 provide loans to a customer irresponsibly.

First Direct says it approved Miss D’s application after she provided details of her monthly income which it cross-checked against information from credit reference agencies on the

amount of funds going into her main bank account each month. It says it also carried out a credit search which showed Miss D's active credit commitments at the time were being relatively well maintained.

In First Direct's view all of the information it gathered showed that Miss D could afford to make the repayments she was committing to. On the other hand, Miss D has said she already had significant debts and couldn't afford to take on any further borrowing. I've carefully thought about what Miss D and First Direct have said.

As First Direct asked Miss D for some information on her income and expenditure and also carried out a credit check, it's clear that First Direct did obtain a reasonable amount of information before it decided to proceed with Miss D's application.

Having looked at the credit check, there wasn't anything in it to indicate that Miss D had any recent significant adverse information – such as recent defaults or county court judgments (“CCJ”) – recorded against her. Miss D did have a previous defaulted account but as this was considered historic, it didn't in itself mean that this loan shouldn't have been provided.

It is clear that Miss D had some existing debts. However, while I accept that Miss D might not agree with this, I don't think that these were excessive given her validated declaration of income. I also need to consider Miss D's existing debts in the context that the information from the time shows that Miss D's selected loan purpose was consolidation of her existing debts.

For the sake of completeness, I don't think that First Direct assumed that Miss D would consolidate, it relied on what she said as part of her application. I think that First Direct was entitled to rely on such a representation, particularly as prospective borrowers are expected to provide accurate information as part of any application.

I don't know whether Miss D did go on to consolidate some of her other debts with the proceeds of this loan. However, I don't see that this was something that First Direct could know for sure in advance. Ultimately, it was up to Miss D to have done this. I'm also mindful that as this was a first loan that First Direct was providing to Miss D, there wasn't a history of Miss D obtaining funds from it and then failing to consolidate debts elsewhere in the way she committed to. I would also add that I don't agree with Miss D's assertion that First Direct should have had a mechanism in place to ensure that she paid her existing debts, as she said she would either.

There is an argument to say that bearing in mind the amount of the monthly payment, at the absolute most, First Direct ought to have found out more about Miss D's actual regular living expenses. However, the information Miss D has provided doesn't show me that her actual monthly living expenses meant that the monthly repayments to this loan were unaffordable.

Furthermore, I note that Miss D has now carried out a detailed analysis of her bank statements in order to conclude that the monthly payments were unaffordable. However, Miss D's analysis has been carried out with the use of bank statements and includes a granular assessment of all her expenditure. I'm not persuaded that such an analysis would have been proportionate bearing in mind what First Direct found out as a result of its other checks, which I've set out above.

Therefore, while I sympathise with Miss D's situation and I'm sorry to hear that she's found making her repayments difficult, I don't think that First Direct did anything wrong when providing this loan to her. It is arguable that it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable.

But even if First Direct had asked Miss D for more information about her regular living costs and contractually committed expenditure here this wouldn't have made a difference to its decision to lend. In my view, this would have simply reinforced the notion that if Miss D did go on to repay some of her existing debts with the proceeds from this loan in the way that she said she would, she would end up in a better financial position. And, for the reasons I've explained, I can't hold First Direct responsible for the fact that Miss D may not have consolidated as she said she would as part of her application either.

In reaching my conclusions, I've also considered whether the lending relationship between First Direct and Miss D might have been unfair to Miss D under s140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think First Direct irresponsibly lent to Miss D or otherwise treated her unfairly in relation to this matter. And I haven't seen anything to suggest that s140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

So overall and having considered everything, I'm satisfied that First Direct didn't treat Miss D unfairly or unreasonably when lending to her. And I'm not upholding Miss D's complaint. I appreciate this is likely to be very disappointing for Miss D. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

Although I'm not upholding Miss D's complaint, I would remind First Direct of its continuing obligation to exercise forbearance and due consideration, given what Miss D has now said about having difficulty making her payments.

I'd also encourage Miss D to get in contact with and co-operate with any steps that may be needed to review what she might, if anything, be able to repay going forward. Miss D may be able to complain to us – subject to any jurisdiction concerns – should she be unhappy with First Direct's actions in relation to exercising forbearance over the remainder of the term.

My final decision

For the reasons I've explained, I'm not upholding Miss D's complaint.

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

Jeshen Narayanan
Ombudsman