

The complaint

Ms H complains that HSBC UK Bank Plc trading as First Direct Bank (First Direct) acted irresponsibly when they agreed to lend to her.

What happened

In November 2019, Ms H successfully applied for a loan with First Direct for £5,000, to be paid over 84 months with an approximate monthly payment of around £90. She said the purpose of the loan was home improvements. After offering breathing space in May 2024, Ms H's account continued to be in arrears and the account was closed and debt sold in February 2025. Ms H also had other loans with First Direct but has only made a complaint about the loan in November 2019.

First Direct say they thought the loan was offered responsibly. They conducted a creditworthiness and affordability assessment prior to lending using information including the details captured in the application form, information held on existing accounts and external data from Credit Reference Agencies (CRAs) and found no concerns or indications of financial difficulty.

Ms H wasn't happy with First Direct's response and referred her complaint to us. Our investigator did not find that the checks carried out prior to lending were reasonable or proportionate and thought First Direct should have asked for more information about Ms H's income and expenditure. But had they done so, they would have found the lending was affordable.

First Direct didn't dispute this position, but Ms H did. In summary, she says it seems strange that First Direct validated her income against account turnover but, despite being her main bank account, weren't aware she was in financial difficulty. She was regularly in overdraft and thinks there should have been safeguards against her significant use of gambling sites. She had also been issued other loans including one just months before and thinks First Direct should have questioned why she needed another one.

The investigator clarified that they reviewed Ms H's statements to see what First Direct would most likely have found if they had asked for information on her income and expenditure, but they wouldn't have expected First Direct to go through each transaction.

Ultimately a resolution was not made and Ms H asked for an ombudsman to decide on the matter. So, the case 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.

While Ms H has provided detailed evidence of her complaint, and I've considered all the available information, I've not reflected every point that has been raised. No discourtesy is intended here, this is merely to reflect my informal role in deciding a fair and reasonable

outcome. So, I've focused on what I think are the key issues of the complaint. If there is something I haven't mentioned, it isn't because I've ignored it.

I've considered what both parties have said about Ms H's lending with First Direct. Having carefully considered everything, I think that First Direct acted fairly and reasonably. I'll explain why.

The relevant rules, regulations, and guidance at the time of First Direct's lending decision required them to carry out proportionate checks. While there isn't a defined list of checks a lender needs to carry out, such checks should be proportionate, considering things like the type, amount, duration and total cost of the loan, as well as the borrower's individual circumstances. These checks needed to assess Ms H's ability to afford the loan being approved and to be able to repay it sustainably, without causing her financial difficulties or harm.

It isn't sufficient for First Direct to just complete proportionate checks, they must also consider the information obtained from these checks to make fair lending decisions. I've considered the checks First Direct did and what they found from these checks.

This loan was 'auto-agreed' without any further interaction with First Direct. During her loan application, First Direct say they confirmed Ms H's income against her account turnover as being £45,500 annually. An affordability assessment was done using a combination of the details Ms H provided and modelled essential monthly spending, which found she had an estimated disposable income of £417. This left around £327 after considering the new loan repayments of around £90 per month.

First Direct say they reviewed the information on Ms H's credit file at the time and found that there was no adverse information such as bankruptcies or County Court Judgments (CCJs). Ms H's existing loans with First Direct were being managed well at the time. Ms H said she needed the new loan for house repairs, which I don't think was an unreasonable reason to require further lending.

However, First Direct have not been able to show details of the checks they carried out and so I don't think that First Direct has shown that it carried out checks which were reasonable or proportionate in the circumstances.

I've gone on to consider what most likely would have been found had proportionate checks been carried out. I'd expect that First Direct should have at least done a CRA check. I've taken a look at Ms H's bank statements in the months leading up to the November 2019 loan. I don't think that First Direct was required to review the information in Ms H's statements, but this will help me to understand what First Direct most likely would have found from reasonable and proportionate checks.

Looking at Ms H's statements, she was paying around £1,247 towards existing credit commitments and £1,390 on other living costs and she declared an income of £45,500, or around £3,000 net per month. This would have left around £363 of disposable income per month, meaning they likely still would've lent for a £90 per month loan. So although checks weren't proportionate, it's likely, if First Direct were able to have provided a copy of the credit report, they still would've lent at the time.

Ms H says that she was gambling extensively on her bank account with First Direct. However, as I wouldn't have expected First Direct to review the transactions on the account, only to ask for further information, I don't think that this would reasonably have come to First Direct's attention and so think that it is reasonable that this wasn't taken into account.

Taking all of the circumstances into account, including the level of monthly repayments, level of disposable income found, the management of her existing lending with First Direct and information on Ms H's credit file, I think that the lending was likely to be affordable and sustainable and that First Direct's decision to lend was fair.

In reaching my conclusions, I've also considered whether the lending relationship between Ms H and First Direct might have been unfair to Ms H under Section 140A of the Consumer Credit Act 1974 ("CCA"). However, for the reasons I've already explained, I'm satisfied that First Direct did not lend irresponsibly when providing Ms H with the credit account or otherwise treat her unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A CCA would, given the facts of this complaint, lead to a different outcome here.

My final decision

For the reasons given above, I do not uphold this complaint against HSBC UK Bank Plc trading as First Direct Bank.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms H to accept or reject my decision before 30 April 2026.

Frances Kerslake
Ombudsman