

The complaint

Ms S complains that HSBC UK Bank Plc gave her a credit card limit she couldn't afford to repay.

What happened

In February 2019 HSBC agreed a credit card limit of £7,000.

Ms S initially completed a balance transfer of just over £6,000 shortly after the account was opened. She benefited from an initial 0% interest rate on balance transfers which HSBC was offering. This offer looks to have been in place until around November 2021.

Ms S argues that HSBC failed to complete sufficient checks before agreeing this limit. She says if HSBC had satisfied the Financial Conduct Authority's lending regulations set out in the FCAs Handbook, Consumer Sourcebook (CONC) it would have seen she couldn't have afforded to repay the limit over a reasonable period of time. And she's pointed to the expiry of the interest free period as being a reasonable period.

In addition, Ms S has said that she was consistently using her overdraft (on a current account from a different provider) and only making the minimum repayments on an existing credit card. So, she feels this should have indicated to HSBC that she couldn't afford additional credit.

HSBC considered her complaint but disagreed. It said it completed proportionate checks before agreeing the credit card. And based on the results of these checks, it was reasonable to lend. Ms S disagreed and referred her complaint to this service.

One of our investigators considered the complaint. Whilst they didn't agree the checks HSBC completed were proportionate, they thought that had proportionate checks been completed this would most likely have shown that it was reasonable to lend. Therefore they didn't uphold 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.

Having done so, I'm not going to uphold this complaint. I appreciate that this will be disappointing to Ms S.

I've read everything that the parties have said, but I'll concentrate my comments on what I think is relevant. If I don't comment on a specific point it's not because I've failed to consider it, but because I don't think I need to comment in order to reach a fair and reasonable outcome. And our rules allow me to do this. This reflects the nature of our service as a free and informal alternative to the courts.

We've explained how we handle complaints about unaffordable and irresponsible lending on

our website. I have used this approach to help me decide Ms S' complaint.

HSBC needed to make sure it lent responsibly to Ms S. It therefore needed to complete sufficient checks to determine if Ms S could afford to sustainably repay the lending. Our website sets out our approach to what we typically think when deciding if a lender's checks were proportionate. There is no set list of checks a lender should do, but there is guidance on the types of checks a lender could complete. However, these checks needed to be proportionate when considering things like the amount and term of the lending, what the lender already knew about the consumer, etc.

Before agreeing this limit HSBC said it asked Ms S for her income which she declared as £30,000 per year. It said it verified this using statistical data to see if her income declaration was within a "normal range" (i.e. if it was plausible) and determined it was.

In addition, HSBC has said it estimated her essential expenditure for things like council tax, utilities, food, clothing, communications/internet/, TV, home essentials, fuel/travel, insurance and wellbeing. It also completed a credit search and included a figure for repayments towards existing credit, including her mortgage repayment.

The checks demonstrated that Ms S had sufficient income to repay the limit over a reasonable period of time. CONC says when considering a reasonable period of time, lenders should consider what a typical term for a personal loan of a similar amount would be. HSBC considered a term of 36 months, and I think this is reasonable. I appreciate Ms S has argued that HSBC should have considered the interest free term for the balance transfer, which was shorter. However, I don't think a shorter term than 36 months for an equivalent loan of that size is reasonable. And whilst Ms S might have wanted to repay the balance transfer funds within the interest free period, HSBC wasn't required to base its affordability assessment on that.

The credit search results also showed that Ms S had just under £5,000 in unsecured debt and no adverse information such as recent defaults, CCJs, bankruptcy or arrangement markers. So, I don't think there was anything in this that ought to have raised concern for HSBC in how she was managing her finances.

Considering the checks HSBC completed, I think these are the types of checks I would have expected HSBC to complete before agreeing a limit of this size. It had gathered an understanding of Ms S' regular income, essential expenditure (including existing credit commitments) and looked at how she was managing her existing credit commitments.

I do however have concerns that HSBC applied reductions to Ms S' expenditure assessment on the basis she was married and held a joint mortgage. Whilst this assumption isn't necessarily unreasonable, I would have expected HSBC to ask about the division of expenditure and/or ask what the level of additional household income was before taking into consideration any reductions. As I've not seen anything to suggest HSBC took these steps, I don't think the checks completed were proportionate. I'll therefore consider what a proportionate check would have most likely revealed.

Ms S has provided her current account statements in the months leading up to the credit card being given. For the avoidance of doubt, I don't think it would have been proportionate for HSBC to have requested her bank statements and completed a full income and expenditure assessment, given the limit in question. I would typically expect to see that level of checks in a much more significant amount of borrowing. However, I think her current account statements are a reliable way of now establishing what Ms S' actual expenditure would have been at the time of sale. And so, what HSBC would have likely uncovered if it had asked for details of her essential expenditure.

Based on her essential expenditure which I can see from these statements, and her existing credit repayments HSBC calculated using her credit search results, I think this limit would still have most likely appeared affordable. So, I think if HSBC had asked for details of her essential expenditure, this information would have most likely suggested that it was reasonable to lend.

I appreciate Ms S has said she also made a regular transfer to her partner who wasn't working at the time. Ms S has argued that if this amount is taken into consideration, the credit card limit wouldn't have been affordable. However, I don't think that by exploring Ms S' essential expenditure, HSBC would have most likely uncovered she was paying this amount. Particularly as I don't think HSBC needed to review her bank statements. So, I don't think this changes the outcome of this complaint.

Ms S has also raised arguments about being overindebted at the time the limit was given. She's said she had another credit card with a high agreed limit, was making minimum repayments on a further credit card and was living in her overdraft at the time. The credit search results HSBC would have seen are typically different to what a consumer would see. So, I don't know if HSBC would have had access to historic balances. However, I note that what HSBC has provided showed Ms S had no late payments, defaults or CCJs. This suggested she was managing her finances well. And I don't think the results show she was overindebted, as she had a total outstanding unsecured balance of just under £5,000. I think this was sufficient to suggest to HSBC that it was reasonable to agree the limit in question.

I've considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think HSBC lent irresponsibly to Ms S 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 final decision is that I don't uphold this complaint against HSBC UK Bank Plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 19 February 2026.

Claire Lisle
Ombudsman