

The complaint

Mr B complains that HSBC UK Bank Plc lent irresponsibly when it approved his credit card application.

What happened

The background to this complaint and my initial conclusions were set out in a provisional decision. I said:

Mr B applied for a credit card with HSBC in August 2025. In his application, Mr B said he was employed with an annual income of £30,000 and living with his parents. HSBC used a service provided by the credit reference agencies to verify the income figure provided and used a net monthly income of £1,968.

A credit search was completed that found Mr B had existing debts totalling £21,900. No adverse credit or recent missed payments were found. HSBC says Mr B was making monthly repayments totalling £587 towards his existing debts.

An affordability assessment was completed that used Mr B's net monthly income of £1,968 and made deductions for housing at £162 and general living expenses of £771, both figures based from estimates obtained from statistical data. HSBC also made a deduction of £587 for Mr B's existing debt repayments. That left a disposable income of £449 a month. HSBC approved Mr B's application and issued a credit card with a limit of £8,000.

More recently, Mr B complained that HSBC lent irresponsibly and it issued a final response. HSBC said it had carried out the relevant lending checks when looking at Mr B's application and didn't agree it lent irresponsibly.

An investigator at this service looked at Mr B's complaint. They thought HSBC completed proportionate checks and its decision to approve Mr B's application was reasonable based on the information it obtained. Mr B asked to appeal so his complaint has been passed to me to make a decision.

What I've provisionally 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 Mr B 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 reached a different decision to the investigator concerning whether the HSBC credit card was affordable. I can see Mr B already owed £21,900 in unsecured debt at the point of application or 73% of his annual income of £30,000. HSBC approved a new credit card with a limit of £8,000. That meant Mr B had access to credit totalling £29,900 – essentially 100% of his annual income of £30,000. That's a very high level of unsecured debt based on Mr B's income and circumstances.

I also note that after completing its affordability review HSBC concluded Mr B would have around £449 a month remaining as a disposable income. HSBC's file submission says that over a 36 month pay-down assumption, if the limit is fully drawn, the offered limit was affordable. But no evidence to support that claim has been provided. And that claim is made on the assumption Mr B wouldn't continue to use the credit card once a balance was built which doesn't reflect how he went on to use the account. I can see a three month interest free promotion for purchases and 26 month interest free promotion for balance transfers was included with the new credit card. But I need to consider the affordability of the credit card under its standard terms, not a promotional interest rate.

I've assumed Mr B borrowed to the £8,000 credit limit and made deductions of 5% of the outstanding balance per month which would allow repayment in a reasonable time period. That comes to £400 a month which would only leave Mr B with £49 remaining. In my view, that figure was too low for Mr B to be able to make repayments and cover any unexpected or emergency expenses that may've arisen. I'm not persuaded the affordability checks completed by HSBC showed Mr B was able to sustainably afford monthly repayments on the standard terms of his credit card. As a result, I intend to uphold Mr B's complaint and direct HSBC to refund all interest, fees and charges applied from the date of approval.

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, I'm satisfied the redress I have directed below results in fair compensation for Mr B in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

I invited both parties to respond with any additional comments or information they wanted me to consider before I made my final decision.

HSBC responded to say it didn't accept the provisional decision. HSBC accepted its affordability assessment gave a post-lending disposable income of £49 a month on the basis the limit would be fully drawn. HSBC explained its lending model factors transactions for essential household spending and takes further stress and economic changes into account. HSBC said its lending model falls within the relevant lending rules by using an estimate of discretionary expenditure. HSBC said its estimate of essential spending using actual spending data from many transactions from customers with similar characteristics and is validated against statistical data. HSBC added it remained confident Mr B would've had sufficient disposable income to clear the outstanding balance in 36 months if fully drawn and that he'd saved money by completing a balance transfer.

Mr B responded and said he had tried to arrange a payment plan with HSBC previously. Mr B also said he shouldn't have been given this credit card.

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've thought carefully about HSBC's response to my provisional decision. I've also relooked at all the available information including the lending data provided by HSBC. I understand HSBC has developed an affordability model that it uses when considering applications. HSBC has confirmed its view the model it uses falls in line with the relevant lending rules on creditworthiness assessments. But, in this decision, I'm only looking at Mr B's complaint and the impact of his application to HSBC. Having done so, even accepting what HSBC's told me about how its affordability assessment was modelled, I haven't been persuaded to change my view of his Mr B's complaint.

HSBC says Mr B would've been able to sustainably repay the outstanding balance if he borrowed to the credit limit over a 36 month period without financial difficulties. HSBC also accepts that Mr B would've been left with around £49 a month if he made payments at 5% of the maximum outstanding balance a month. Even accepting what HSBC's said about how it approaches affordability and its use of an estimate of £771 a month for Mr B's living expenses, I am not persuaded that £49 a month as a net disposable income would've left enough funds to realistically cover any unexpected expenses or emergencies that may arise. I think the £771 figure used for Mr B's essential outgoings is realistic in terms of his day to day costs. But I remain of the view Mr B would've needed a greater disposable income for outgoings he hadn't planned for. I still haven't been persuaded HSBC has shown Mr B was able to sustainably maintain repayments and or that it lent responsibly in this case.

I note Mr B has told us he's previously tried to work with HSBC to agree a payment plan. The settlement I've noted below requires HSBC to refund any interest applied to the credit card and work with Mr B to arrange affordable repayments for any remaining balance. The settlement reflects my view HSBC didn't lend responsibly here.

For the reasons given above and in my provisional decision I'm upholding Mr B's complaint and directing HSBC to refund all interest, fees and charges applied to the account.

My final decision

My decision is that I uphold Mr B's complaint and direct HSBC UK Bank Plc to settle as follows:

- Rework the account removing all interest, fees, charges and insurances (not already refunded) that have been applied.
- If the rework results in a credit balance, this should be refunded to Mr B along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. HSBC should also remove all adverse information regarding this account from Mr B's credit file.
- Or, if after the rework there is still an outstanding balance, HSBC should arrange an affordable repayment plan with Mr B for the remaining amount. Once Mr B has cleared the balance, any adverse information in relation to the account should be removed from their credit file.

*HM Revenue & Customs requires HSBC to deduct tax from any award of interest. It must give Mr B a certificate showing how much tax has been taken off if he asks for one. If it

intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 2 April 2026.

Marco Manente
Ombudsman