

## **complaint**

Mr L complains that HSBC Bank Plc acted improperly in relation to his loan application, by insisting on his HSBC credit card balances being repaid from the proceeds as a condition of the loan and not making sufficient enquiries of his other creditors. He seeks a refund of the amount that HSBC used to repay his credit card balances, together with interest.

## **background**

Mr L took a personal loan with HSBC in 2006. Part of the loan proceeds were used to repay his existing HSBC credit card debts, to make a payment to another credit card provider and to pay various bills.

In 2011, Mr L complained to HSBC that the loan had been mis-sold to him. In particular, he considered that HSBC had acted contrary to industry rules when making repayment of his credit card debts with it a condition of granting the loan. He said that he had not used the whole of the loan and also said that, if this loan were intended as a debt consolidation loan, then HSBC should have verified his position with all his other creditors before granting it.

The adjudicator investigated Mr L's complaint. She was not persuaded that the loan had been mis-sold by HSBC, or that it was wrong for HSBC to require Mr L to discharge his credit card debt with it as a condition of the loan. She took the view that provision of the loan for use, in part, to repay existing debts had been reasonable in the circumstances.

Mr L did not agree. He wrote again, and I summarise his main points:

- HSBC staff led him to believe that agreeing to repay the HSBC credit card balances would improve his chances of getting the loan. He was also forced to repay the credit card debts from the proceeds.
- HSBC cannot now produce his authority to repay the credit card debts from the loan. So HSBC disclosure has been incomplete. Under the rules of evidence, and applying the balance of probabilities, it should be concluded that HSBC made the transfers without his authority and his complaint should succeed.
- He was not asked by HSBC about his other creditors or how he planned to pay them.

## **my findings**

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Having done so, I do not consider that the complaint should succeed.

Mr L first raised his complaint with HSBC around six years after the loan sale he complains about. Given the passage of time, I think it unsurprising that HSBC cannot now produce every communication relating to the loan application in 2006 – and so that does not, of itself, persuade me either that the loan was mis-sold or that Mr L's complaint should automatically succeed.

I see (from the correspondence between Mr L and HSBC) that Mr L has quoted from Financial Services Authority guidelines, and the Banking Code, concerning the sale of payment protection insurance with loans. He believes that those same rules should also be

applied to HSBC's requirement that he repay his existing credit card debts with it, and to its suggestion that the loan was more likely to be agreed if he repaid those debts.

I do not agree with Mr L that rules relating to the sale of insurance are relevant in this case. I do not see that HSBC was not permitted to tell Mr L that it was more likely to lend to him if he agreed to repay the credit card debts, or that it was not entitled to make that repayment a condition of granting the loan. This seems, to me, to be a legitimate lending consideration for HSBC to take into account in this case. Given that Mr L says that HSBC always made it clear that he would have to pay off the credit card debts with some of the loan money, I do not consider that the lack of a signed form of authority from Mr L for the transfers means HSBC must now refund them.

Mr L also says that he did not utilise the whole of the loan. The copy of the signed loan agreement clearly shows the amount of the loan, and the copy of Mr L's current account at the time shows the money going into the account and then various payments and transfers made from it, apparently using up the whole of the loan proceeds. If Mr L is saying that not all of this money actually went towards other debts, then I do not consider that means his loan was mis-sold. I am also not persuaded that, in the circumstances of this case, HSBC was under a duty to make enquiries of all Mr L's creditors before agreeing to give him the loan.

### **my final decision**

Given my findings, my final decision must be that I do not uphold this complaint.

Jane Hingston  
**ombudsman**