

## **complaint**

Mr M complains that HSBC Bank Plc lent irresponsibly to him when it approved a personal loan.

## **background**

Mr M says he applied for a loan during 2015 which HSBC originally declined. But when he later made enquiries in branch the loan was approved. He says this was irresponsible of HSBC as his credit file at that time shows he was suffering from some financial problems.

HSBC says and has provided records to show Mr M applied for a personal loan in May 2014, not 2015. At the time he was asked to provide further documents before it was fully approved. Mr M didn't proceed at that time. HSBC's records go on to show that in July 2014 Mr M applied online again but the loan was declined. It says that in between the first application and second, Mr M had taken out another loan to buy a vehicle.

In July 2014 Mr M complained to HSBC and gave it some more information. He said he intended to use the new loan proceeds to repay the vehicle loan he'd recently taken out and use the remaining funds to repay other debts.

HSBC says it relooked at Mr M's application and agreed to proceed if he provided evidence of his income. Which he did.

The loan was paid to Mr M in August 2014 and his statements show he used around £7,400 to pay back some debts and transferred the remaining funds to another account. Mr M's told us he didn't repay the vehicle loan with the funds he borrowed.

In 2015 Mr M wasn't able to maintain his loan payments and it was defaulted. HSBC accepted reduced payments from Mr M under a debt management plan.

In 2018 Mr M complained to HSBC and said it should never have approved his loan. But HSBC didn't agree and said his loan was affordable based on what Mr M told it when he applied. Mr M referred his complaint to this service and an adjudicator looked at what'd happened but didn't agree HSBC had lent irresponsibly. As Mr M remains unhappy the complaint's been passed to me to make a decision.

## **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Mr M has asked why, if his online application was declined, HSBC later agreed to proceed. I've carefully considered that point and I think it's clear that the information Mr M gave HSBC between the applications meant it was willing to relook at the loan application. I'll explain why.

HSBC records show that in July 2014 Mr M's loan was declined and he complained. He said that he'd recently taken out a new loan to buy a vehicle and would use the HSBC funds to repay that and some other debts.

That meant when HSBC relooked at Mr M's circumstances the new loan appeared affordable. After Mr M confirmed he'd repay his vehicle loan HSBC didn't need to take that monthly payment into account when assessing affordability. And that meant it was able to reassess the loan application. I think it was reasonable for it to proceed based on what Mr M told it during the application process.

I appreciate that Mr M used some of the funds to repay other debts totalling around £7,400 and didn't go on to repay the vehicle loan. But there's no way HSBC could've known Mr M wouldn't repay the vehicle loan.

Mr M is clearly concerned that the three applications he completed had different results but I'm satisfied that's because his circumstances changed during the process. When he first applied in May 2014 the loan was approved subject to more information from Mr M. But it was declined in July 2014 because of affordability concerns as Mr M had taken out another loan in the interim. As I've said above, when he confirmed that loan would be repaid HSBC no longer needed to factor it into its assessment and the loan was ultimately approved.

Looking at all the evidence available, I'm satisfied there were key differences between Mr M's applications which is why they weren't treated the same way.

Mr M says that HSBC would've known he had a gambling problem and declined his application if it'd checked his bank statements. But businesses can decide what checks to do when looking at a loan application. This service can't tell a business how to assess loan applications and we don't set the rules – that's the role of the Financial Conduct Authority, the regulator. So I can't say HSBC should've specifically looked at bank statements before deciding whether to proceed.

When considering how a lender has assessed an application we look at what it knew about the person applying and whether it completed proportionate checks. In this case, HSBC looked at Mr M's credit file, asked him about his personal and financial circumstances and took details of his income and outgoings. HSBC also obtained proof of Mr M's earnings. I can see Mr M has provided us with a copy of his credit file – but having looked at this, it doesn't indicate anything that HSBC should've been concerned about in 2014.

Based on what Mr M told HSBC and what it found out during the application process, the loan was approved. Taking all of the above into account, I've found HSBC did complete proportionate checks and the application was approved in line with its lending criteria. As a result, I'm not persuaded HSBC lent irresponsibly here.

For completeness I will add that I don't doubt Mr M later went on to experience some financial problems – his credit file indicates the problems started in mid-2015 – several months after HSBC approved this loan.

In these circumstances, a lender is required to treat a consumer positively and sympathetically. I can see Mr M entered into a debt management plan and HSBC agreed reduced payments in line with that plan. I think this is sufficient to demonstrate that HSBC treated Mr M fairly in the circumstances.

### **my final decision**

My decision is that I don't uphold this complaint. Under the rules of the

Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 30 December 2018.

Marco Manente  
Ombudsman