

complaint

Mr and Mrs A complain that HSBC UK Bank Plc gave them the wrong information when they took out a personal loan.

background

In February 2018 Mr and Mrs A applied for an HSBC loan. The interest rate was high but they told us HSBC said they could go back to their local branch after four to six months to see if the rate could be reduced. They have since discovered this couldn't happen.

HSBC said it hadn't done anything wrong. It explained a personal loan is an agreement to pay a fixed amount over a fixed period of time. So the interest rate wasn't negotiable. When Mr and Mrs A contacted the bank in July 2018 it referred them to its Financial Guidance Team to assist them if they were struggling financially. And it refunded £75 of charges. In August 2018 Mr and Mrs A contacted the bank again. It put an arrangement in place for three months but they refused this and the bank says they've continued to make the monthly repayments in full. HSBC refunded a further £80 charges as a gesture of goodwill.

Our investigator didn't recommend the bank should do anything else to resolve Mr and Mrs A's complaint. She didn't think the loan information the bank gave to Mr and Mrs A created any expectation the interest rate could be decreased at a later date.

Mr and Mrs A weren't happy with this and said they thought it could be a case of irresponsible lending. And they have been told the meeting in the bank would've been recorded.

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 and Mrs A say the bank told them the interest rate on the loan could be reduced at a later date. The bank says the loan agreement they signed was for a fixed amount and for a fixed period. This was a discussion that took place in the local branch and HSBC has confirmed the conversation wouldn't have been recorded. In these circumstances I have to decide what is most likely to have happened at the time Mr and Mrs A took out this loan.

All the documentation from the loan agreement that Mr and Mrs A signed gives the fixed monthly repayments over the length of the loan. There is nothing to suggest the interest rate could be renegotiated at a later date. I accept Mr and Mrs A genuinely thought this might be an option but I don't have sufficient evidence to come to the conclusion the bank was responsible for making them think the rate could be reduced after a few months.

Mr and Mrs A have asked if the bank was irresponsible in giving them this loan. I have considered both whether the bank was irresponsible and whether the loan was unaffordable at the time the bank gave it to them. And I've also considered if it responded positively and sympathetically when it became aware the monthly repayments were a concern to Mr and Mrs A.

If a loan is unaffordable it means that the customer couldn't afford to make the repayments at the time he or she took the loan out. The affordability checks a lender should carry out should be proportionate to the size of the loan and the cost of repayment. From the information it had at the time HSBC thought it was affordable and so offered it to Mr and Mrs A. We can't say that a lender should've done any particular check. But it seems to me that HSBC reasonably assessed their ability to make the required monthly repayments. So I can't find it was wrong for it to agree to their loan application.

I have also considered whether it was irresponsible for the bank to have given Mr and Mrs A this loan. Irresponsible lending is not just about whether they could afford to repay the loan or not – it's whether there's another reason they shouldn't have had the credit. This will depend on their personal circumstances. And it could be irresponsible to lend money to someone who is in a debt spiral because they are borrowing money to repay other loans. But as I've already said, HSBC carried out all the checks we would expect and these showed they could afford to meet the monthly repayments. And I can't see there was anything in their account history that would've concerned the bank.

A bank has a responsibility for responding positively and sympathetically when it knows a customer could be in financial difficulties. I can see that it's offered a three month arrangement to Mr and Mrs A which they refused. And it's refunded some of the charges. I can't fairly ask it to do more.

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 and Mrs A to accept or reject my decision before 11 March 2019.

Linda Freestone
ombudsman