

complaint

This complaint's about a further advance mortgage application Mr and Mrs L made to HSBC UK Bank Plc. They're unhappy that HSBC wouldn't lend them the money they wanted for debt consolidation.

background

Mr and Mrs L had a mortgage with HSBC and wanted to borrow more money. Mr and Mrs L said they were going to use the money to pay off their debts which would then reduce their outgoings. Because HSBC said it couldn't lend the amount they wanted, Mr and Mrs L say they were forced to sell their flat and move 50 miles away - which is affecting Mr L's job - as they couldn't afford a new property in the area they were living in.

Our case handler didn't uphold the complaint. He said HSBC has made the decision based on its lending criteria, which still includes the debts due to be repaid in the affordability assessment. Mr and Mrs L disagreed. They said it wasn't fair for HSBC to refuse to lend to them because of the amount of their debts, when they wanted to pay them off with the extra money to be borrowed from HSBC.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I trust Mr and Mrs L won't take it as a discourtesy that I've condensed their complaint in the way that I have. Although I've read and considered the whole file I'll keep my comments to what I think is relevant. If I don't comment on any specific point it's not because I've not considered it but because I don't think I need to comment on it in order to reach the right outcome.

This service is impartial between, and independent from, consumers and businesses. What this means is that we don't represent either party, and I don't act under either's instructions or take directions on how a complaint will be looked at or what questions should be asked and answered.

I'm aware Mr and Mrs L think our case handler has shown bias towards HSBC. We're required to assess all of the evidence from all the parties. Insofar as he didn't agree with Mr and Mrs L's view of the complaint, that wasn't - in itself - indicative of bias, however unwelcome Mr and Mrs L found his conclusions.

I appreciate Mr and Mrs L feel HSBC is being unfair and unreasonable. But it isn't my role to tell lenders how much money to lend to particular consumers. Lenders are able to use their commercial judgement to decide how much, if anything, to lend to consumers. My role is to ensure such judgement is applied fairly and reasonably; it isn't to substitute my judgement for the bank's.

In this case, HSBC applied its lending rules to Mr and Mrs L. It also reviewed its decision to refuse to lend the amount Mr and Mrs L wanted. It isn't unfair or unreasonable to look at the amount of unsecured debt; I understand Mr and Mrs L wanted to use the money to pay off that debt, but once they had the money, there wasn't any guarantee they would use it to pay the debt. I also think it was fair and reasonable for HSBC to be worried Mr and Mrs L might end up with similar debts in the future.

Mr and Mrs L have said “... *nobody would put themselves back into a whole load of stress by not paying the existing debts...*”, and I think herein lies the problem. Unfortunately a *lot* of people do exactly what Mr and Mrs L say nobody would do. That is, get the new money but either not pay off the debts, or pay the debts off but immediately build them back up to the same level as before. So it’s entirely understandable why HSBC chooses to build those risk factors into its affordability calculations. The fact that other lenders may choose not to do so – and so a lender was willing to grant Mr and Mrs L a new much larger mortgage – doesn’t mean HSBC is wrong to not have the same appetite for that risk.

When deciding whether or not to lend more money, lenders have to apply the current mortgage rules and think about whether the mortgage would be affordable. It isn’t unfair or unreasonable for a lender to look at all the information about a consumer and based on that, decide the loan may be unaffordable based on *its* lending criteria. Having considered everything I’m satisfied HSBC dealt fairly with Mr and Mrs L’s application to borrow more money.

my final decision

I don’t uphold the complaint. My final decision concludes this service’s consideration of this complaint, which means we’ll not be engaging in any further consideration or discussion on the merits of it.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr and Mrs L to accept or reject my decision before 30 November 2019.

Julia Meadows
ombudsman