

## **complaint**

Miss H complains that HSBC Bank Plc did not act responsibly when it allowed her to take out multiple personal loans when it knew she was experiencing financial hardship as a result of a compulsive addiction. She would like the bank to reduce the amount she owes.

## **background**

In February 2016, Miss H emailed HSBC to tell it she was suffering from a compulsive addiction which was causing her financial hardship, and to ask for assistance with her situation. HSBC has acknowledged it received this email.

Between 9 May 2016 and 14 June 2016, Miss H made 12 online personal loan applications. The first was for £1,000 and each new loan repaid the previous one, until she owed £20,000. Miss H says HSBC was irresponsible in allowing her to accumulate so much debt when it knew about her situation. She says she was desperate for money because of her gambling habit (which she says was the compulsive addiction she had previously told the bank about). She is now concerned that her credit file has been adversely affected, and that she won't be able to apply for a mortgage.

Our investigator recommended that this complaint should be upheld. She considered that Miss H's borrowing activity was not usual, and that after the first five applications, HSBC should have made additional enquiries, and not simply relied on its online credit scoring process to allow the approvals. She considered that any such further enquiries would likely reveal the email notification of Miss H's financial difficulties and compulsive addiction. In her view, this would have prevented further lending from being approved. She recommended that HSBC should refund all interest and charges on the loans, pay interest on any such refund and amend Miss H's credit file to remove references to the last seven loans.

HSBC does not agree, saying it could not stop Miss H from making loan applications and that amending her credit file as recommended would undermine the extent to which it was a true reflection of how the account had been managed.

## **my findings**

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

While it's true that consumers may make multiple lending applications, lenders are expected to ensure they lend responsibly, and to make appropriate enquiries to support this. Here, Miss H had put HSBC on notice of her financial difficulties, and that these related to a particular cause of vulnerability, but it does not appear that HSBC took steps to ensure this information was recorded in a way such that it could be included in how her accounts were managed.

Several months after she told HSBC about her financial difficulties, Miss H began making online loan applications. These were assessed by reference to credit scoring, and approved. This was despite Miss H making twelve applications in the space of eight weeks, and increasing her borrowing from £1,000 to £20,000.

In light of Miss H's situation at the time, I do not consider the loans for the higher amounts to have been responsible. I agree with the investigator that the bank should have been alert to

the unusual application activity, and should have made enquiries after multiple applications were received. That its systems did not flag such activity as unusual, or prompt further queries is not an answer to the view that the loans were not responsible.

Had HSBC made further enquiries, it would (or should) have become aware of Miss H's cause of vulnerability, and her related financial difficulties and this should have prevented the applications from being approved, limiting Miss H's borrowing. I consider it is reasonable to identify the sixth application as the point at which the bank should have identified the unusual borrowing pattern and applied greater scrutiny to the applications as by this point the application behaviour would have been well outside the norm.

Miss H has had the benefit of the lending and has repaid it. But I agree that she should receive a refund of interest and charges for loans six to twelve, as these should not have been approved. I also agree that she should receive interest on any such refund, and that references to these loans should be removed from her credit file. In this way, she can be restored to the position she would have been in if those loans had not been approved.

### **my final decision**

My final decision is that I uphold this complaint. In full and final settlement of it, I order HSBC Bank Plc to:

- Refund all interest and charges on loans six to twelve;
- Pay interest of 8% simple on any such refund;and
- Clear information which relates to those loans from Miss H's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 28 July 2017.

Catherine Wolthuizen  
**ombudsman**