

complaint

Mr I complains that HSBC UK Bank Plc granted his applications for personal loans which were not affordable.

background

Mr I says he applied for loans from HSBC when he was suffering from depression and was gambling heavily. He says he wasn't working at the time but told the bank he was in employment. But the bank didn't ask for any proof of income. He was also upset that the bank sent him a letter about his mental health problems and his financial difficulties which was opened by his wife. He had specifically asked the bank not to write to him because she didn't know about his problems.

HSBC said Mr I falsified his applications. But it'd checked his file and could confirm he was working and he was getting "*a sufficient income*". And both his personal and his business accounts were "*running in a healthy position*". It said Mr I didn't tell it about his health problems until July 2018. But it was aware of his financial difficulties before then. Its Collections team had helped him with plans and it hasn't charged him any interest or applied any charges since 4 March 2016. It said it hadn't done anything wrong. But it accepted it shouldn't have sent him a letter which was subsequently opened by his wife and it offered £100 compensation.

The adjudicator could see that HSBC had granted four loans between 13 June 2015 and 24 November 2015, each one refinanced the previous one. And three of the loans were refinanced before the first payment was made on the previous one. He concluded that, while it's not up to this Service to tell HSBC what lending criteria it should be using, he didn't think the checks it'd made were proportionate to the size of lending. And that additional evidence should've been obtained to check Mr I's income. So he thought interest and charges should be refunded from June 2015.

HSBC said it didn't agree it should've asked for evidence of income. And it said if it was "*unhappy with the salary verification it would have been referred for an underwriter's decision*". It would've been at that stage it would've asked for evidence of salary. It said Mr I had misled the bank. And it said it wasn't logical to refund interest back to the first loan.

Mr I didn't agree with the adjudicator's conclusion because he wanted HSBC to write off the full debt.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so I've come to the same conclusion as the adjudicator for very similar reasons.

All Mr I's loan applications were made in branch and so there was an opportunity for HSBC to ask fair and reasonable questions about his applications.

When he applied for a loan of £2,600 on 13 June 2015 his account had been in constant overdraft for a number of months. The only regular income was from two forms of benefits. There isn't any evidence of a regular salary coming into this account. There also appears to be a change in the pattern of Mr I's spending over the previous few weeks. There were a number of cash withdrawals and cash deposits. And from 3 June 2015 to 12 June 2015 his overdraft increased from £95.44 to £1,245.51.

Whilst I appreciate that a reliance on benefit payments is not a ground for refusing a loan application, I think that the history of Mr I's current account meant that HSBC should've asked for proof of the income of £12,500 he declared on his application form. It said Mr I was getting a sufficient income and that both his personal and business accounts were running satisfactorily at the time. I asked HSBC for a copy of his business account statements from this time but it wasn't able to supply them.

In light of the unavailability of Mr I's business account statements and in light of the transaction history on his current account I can't be satisfied that HSBC reasonably assessed Mr I's income and his ability to repay this loan in a sustainable manner without incurring financial difficulty or experiencing adverse consequences.

Three months later Mr I applied for a loan of £4,390 to refinance the previous one and said his income was £22,500. This was nearly double the amount he quoted in the previous application. So I think HSBC should've asked for proof of this increase in his salary.

The following month, without making his initial repayment on that loan Mr I applied for another loan of £8,000 to refinance it. This time he quoted his salary as £26,000. And the following month he applied for a loan of £13,050 with a salary of £24,000. In light of these applications being made within a short period of time and in light of the discrepancies in the income Mr I declared I don't think HSBC reasonably assessed the affordability of these loans. And as Mr I made all four of his applications in the same local branch I think it could've done more to do that.

And so I agree with the adjudicator that HSBC should refund interest and any charges for the date of the first loan on 13 June 2013.

Mr I said he wanted the full debt written off but he has had the benefit of the money. And he falsified the information in his applications. So I don't think it would be fair and reasonable to ask HSBC to write off the full debt.

my final decision

My decision is that I uphold this complaint.

To put matters right HSBC UK Bank Plc must:

- Refund all interest and charges from the date of the first loan and the subsequent loans to the date of settlement.
- Any charges should be refunded with 8% simple interest from the date each charge was paid to the date of settlement *
- Pay £100 compensation as previously offered.

*Income tax may be payable on the 8% interest payment awarded. If HSBC UK Bank Plc deducts income tax from this interest, it should tell Mr I how much has been taken off. HSBC Bank UK Plc should give Mr I a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or reject my decision before 16 February 2020.

Linda Freestone
ombudsman