

complaint

Mr A complains that HSBC Bank Plc shouldn't have lent him as much money as they did, and should've helped him when he got into financial difficulties. He wants HSBC to write off his debt, change his credit record and pay him compensation.

background

Mr A has had various current and loan accounts with HSBC for the last eight years. He says that when HSBC gave him a loan of over £10,000 in 2008 which consolidated his debts, they shouldn't have done so because he couldn't afford it.

He says HSBC gave him a second consolidated loan in 2010 which reduced his monthly payments on the debt. But he says this didn't help him and was a more expensive loan.

Mr A says he isn't happy with the fees and charges he has received. And he believes some of HSBC's entries on his credit record are incorrect.

Mr A says he was young when HSBC lent him money and he had some medical challenges. And he believes HSBC should've recognised this and helped him much more than they did when he got into financial difficulties.

HSBC say they lent money to Mr A which they believed he could pay back. They say they tried to help Mr A with his financial difficulties as they became aware of them. And HSBC say the entries they've made on his credit record are accurate.

Our adjudicator didn't uphold Mr A's complaint. So Mr A has asked for an ombudsman to look at his case.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. And I've reached my decision on the basis of what I think most likely happened.

I know this will come as a disappointment to Mr A, and I've great sympathy for him as he has had a very difficult time. But unfortunately I'm not able to uphold his complaint for the following reasons.

I've separated out the key aspects of Mr A's complaint into sections as below:

Did HSBC do anything wrong when it loaned money to Mr A in January 2008?

Mr A has explained that initially HSBC didn't offer him a loan when he asked in 2008, but then came back to him and said it was ok. He feels this indicated that they knew they shouldn't be lending to him but did so to meet their internal targets.

In my view HSBC is entitled to make a commercial decision to lend based on their judgement of the risk. They were aware that Mr A had debts both with them and with others. And they appear to have given Mr A this loan to consolidate those debts. So what matters was whether Mr A could afford the repayments or not. In this case the repayments of just under £210 a month were only a small proportion of his income. And his bank account

statements from the time show a substantial level of spend on non-essential items. So even taking into account other demands on him, I think that the repayments were most likely affordable for him at that time.

So I don't think HSBC did anything wrong in giving him the loan in January 2008.

Did HSBC do anything wrong when it loaned money to Mr A in September 2010?

In 2010 Mr A was having difficulties making his loan repayments to HSBC, and he owed money on his current accounts with them as well. He also had debts with other lenders. Mr A and HSBC discussed the situation and Mr A agreed to take out a new loan of just over £7,000 with lower repayments of about £160 a month.

Mr A says that HSBC weren't helpful because they charged higher interest on the new loan, and he still couldn't afford the repayments. He also complains that HSBC didn't refer him for debt counselling.

In my view the important question again is whether the repayment amounts were affordable for Mr A. HSBC have provided evidence that they would've discussed Mr A's income, outgoings and debts with him before agreeing the new loan. The repayments on the new loan were nearly £50 less per month than the previous loan and continued to be a small proportion of Mr A's income. And the interest rate charged was 7% which wasn't uncompetitive for the time and the circumstances of the loan.

So, I think HSBC were being helpful when they gave Mr A a new loan with reduced repayments in September 2010.

During the discussions about this loan it would've been clear to HSBC that Mr A was struggling with his debts. And I think it is more likely than not that HSBC would've suggested to Mr A that he sought independent help.

I say this because all lenders have to deal regularly with customers not repaying loans and it is in the lenders' interest for their customers to stabilise their finances and be able to repay the debts. And I can see that HSBC sent Mr A several letters about his current account, which included suggesting he seek independent help about his debt from the Citizens Advice Bureau. So, even if it wasn't mentioned during the discussions about the loan, the bank made Mr A aware by other means.

So I don't think HSBC did anything wrong when they loaned money to Mr A in September 2010.

Did HSBC put inappropriate fees and charges on Mr A's accounts or make incorrect entries on his credit record?

From a review of Mr A's current and loan account statements, he certainly received fees and charges onto the accounts. But they appear to be in line with the terms and conditions of his accounts. And I couldn't see any evidence that HSBC applied fees or charges excessively once they were aware he was in financial difficulties.

I've looked at Mr A's credit record and all the entries HSBC have put there appear to be accurate.

Mr A has raised the issue that under the ICO guidance for registering credit on personal records, there shouldn't be two default entries on his record for his fixed term account opened in September 2008. There appears to be so because HSBC has registered the debt and so has M, who bought the debt from HSBC.

I'm aware of the ICO guidelines. But I don't think the fact M has also registered the debt as being in default means HSBC's information is wrong, or creates a misleading impression. So I don't think it'd be right for me to order its removal.

Mr A also says his default date for the January 2008 loan account should be recorded as September 2010 when he consolidated his loan rather than in 2013 when he finally defaulted. He says this would be in line with the same ICO guidance. However I don't agree as the guidance only proposes this to happen for short lived 'arrangements to pay' of six months or less. And this wasn't the case for Mr A's loan consolidation terms.

Conclusion

So looking at all the aspects of Mr A's complaint, I don't think HSBC has done anything wrong in their relationship with Mr A. And it follows that I can't uphold his complaint.

my final decision

My final decision is that I don't uphold Mr A's complaint against HSBC Bank Plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 19 October 2015.

Richard Hill
ombudsman