

Complaint

Miss B has complained about a loan HSBC UK Bank Plc (“HSBC”) provided to her. She says she was already on high credit usage for online accounts and if this had been checked it would have been apparent that the loan was unaffordable for her.

Background

HSBC provided Miss B with a loan for £18,000.00 in January 2022. The loan had an APR of 9.9% and a 79-month term. This meant that the total amount to be repaid of £24,263.26, which included interest, fees and charges of £6,263.26, was due to be repaid in 78 monthly instalments of £307.13.

One of our investigators reviewed what Miss B and HSBC had told us. And she thought that HSBC hadn’t done anything wrong or treated her unfairly. So she didn’t uphold Miss B’s complaint. Miss B disagreed and asked for an ombudsman to look at her complaint.

My findings

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

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Miss B’s complaint.

Having carefully considered everything, I’ve decided not to uphold Miss B’s complaint. I’ll explain why I that’s the case in a little more detail.

HSBC needed to make sure that it didn’t lend irresponsibly. In practice, what this means is HSBC needed to carry out proportionate checks to be able to understand whether Miss B could afford to repay before providing this loan.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

HSBC provided Miss B with a loan for £18,000 in January 2022. It had an APR of 9.9% and a 79-month term. This meant that the total amount was due to be repaid in 78 monthly instalments of £307.13.

HSBC says it agreed to Miss B’s application after it carried out credit check and assessed Miss B’s circumstances against its lending criteria. It further says that based on this it was

satisfied that Miss B would be able to make the repayments she was committing to. And, in these circumstances, it was reasonable to lend. On the other hand, Miss B has said she already had a lot of debt and she was therefore unable to afford these payments.

I've carefully thought about what Miss B and HSBC have said.

The first thing for me to say is that this was Miss B's first loan with HSBC. The credit check information provided suggests that while Miss B didn't have any county court judgments recorded against her, she had nonetheless defaulted on a mail order account (which could have been an online shopping account) in 2020. But the balance on this account had long been since settled. So I don't think that presence of this default in itself meant that Miss B shouldn't have been lent to.

I've also considered Miss B's HSBC current account statements in the leadup to this application, suggests that Miss B was receiving monthly credits into her HSBC account right up to the time of this application. I've thought about what Miss B has said about her finances being in a difficult position.

However, the statements do show that Miss B was receiving regular funds (albeit from a number of sources) into her account each month. And when her regular living costs and monthly expenditure are deducted from what she received, Miss B does appear to have enough in funds left over to make the repayments to her loan.

I also think that it's worth me pointing out that in many months Miss B's account balance at the end of the month, which will have included all of her expenditure not just what she was committed to make on a monthly basis, was in excess of what she would need to pay each month on this loan.

In these circumstances (i.e. the amount of the repayments appeared affordable) and the credit check not showing that Miss B had any ongoing difficulty with making payments to credit elsewhere, I don't think it was unreasonable for HSBC to proceed on the basis of the information it obtained as, on the face of things, it appeared to be accurate.

I accept Miss B's actual circumstances may not have been reflected in the information she may have provided and the other information HSBC obtained. I know that Miss B says that she was only making minimum repayments to credit elsewhere. But I have to weigh this against the fact that even if this was the case, the amount of disposable income Miss B appears to indicate that even if HSBC knew what Miss B has referred to, it would reasonably have concluded that Miss B was choosing to make minimum payments rather than it was because she couldn't afford to pay more.

Equally it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. And, in this case, I don't think that HSBC did anything wrong in deciding to lend to Miss B - it carried out reasonable checks even though Miss B now argues that what it found out wasn't the whole story in relation to her finances. HSBC reasonably relied on this information and given its previous lack of lending to Miss B, I don't think it was unreasonable for HSBC to provide this loan.

As this is the case, I'm not upholding Miss B's complaint. I appreciate this will be very disappointing for Miss B. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

Although I'm not upholding Miss B's complaint, I would remind HSBC of its obligation to exercise forbearance and due consideration (bearing in mind what Miss B is now saying) in

the event that when collecting repayments, it becomes aware Miss B is experiencing financial difficulty making them.

My final decision

My final decision is that I'm not upholding Miss B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 8 February 2024.

Jeshen Narayanan
Ombudsman