

Complaint

Mrs J has complained that HSBC UK Bank Plc (“HSBC”) irresponsibly provided her with a credit card and limit increases despite the fact that they were unaffordable.

Background

Mrs J was provided with a John Lewis credit card, which at that time was operated by HSBC, which had a credit limit of £4,000.00 in September 2015. While Mrs J has referred to credit limit increases, her credit limit was never increased.

One of our investigators looked at everything provided and felt that he didn’t have enough to reasonably conclude that proportionate checks would have shown HSBC that it shouldn’t have provided this credit card to Mrs J. So he didn’t think that the complaint should be upheld.

Mrs J disagreed with our investigator’s conclusions and asked for an ombudsman’s to review 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.

Having carefully considered everything, I’ve decided not to uphold Mrs J’s complaint. I’ll explain why in a little more detail.

We’ve set out our general approach to complaints about unaffordable and irresponsible lending - including the key relevant rules, guidance and good industry practice - on our website.

HSBC needed to take reasonable steps to ensure that it didn’t lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mrs J could afford to repay what she was being lent in a sustainable manner.

These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer’s income and expenditure.

With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate. But certain factors might point to the fact that HSBC should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:

- the *lower* a consumer’s income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);

- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the *greater* the frequency of borrowing, and the longer the period of time during which a customer has been indebted (reflecting the risk that prolonged indebtedness may signal that the borrowing had become, or was becoming, unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

I've kept all of this in mind when deciding Mrs J's complaint.

Mrs J was provided with a credit card with a limit of £4,000.00 in September 2015. Mrs J's credit card was a revolving credit facility. This meant that HSBC was required to understand whether Mrs J could repay £4,000.00 within a reasonable period of time.

I understand that HSBC carried out a credit check before initially agreeing to provide Mrs J with a credit card. HSBC hasn't been able to provide me with the output of its results. Given that all of this took place a number of years ago, I don't think that this is surprising. And I've therefore not drawn any adverse inferences in relation to HSBC's inability to provide this information at this stage.

In any event, what is important to note is that Mrs J needed to be able to make monthly payments that would allow her to clear the full amount owed within a reasonable period of time, rather than all in one go. HSBC has been able to provide a copy of Mrs J's credit card application form and I can see from this that she declared that she was a homeowner, had been employed for just over ten years and that she had an annual salary of £32,000.00.

So it's clear that Mrs J was asked to provide some information on her circumstances as part of her application. Nonetheless, while HSBC has some information on Mrs J's income. I would also have expected it to have found out some information about Mrs J's expenditure (particularly about her regular living expenses) before providing this credit card. As HSBC has been unable to evidence having done this in this instance, I don't think that the checks it carried out before it provided this credit card were reasonable and proportionate.

Ordinarily, where a firm failed to carry out reasonable and proportionate checks before providing credit or increasing the amount available to a customer, I'd usually go on to recreate reasonable and proportionate checks in order to get an indication of what such checks would more likely than not have shown. However, Mrs J has been unable to provide us with all of the information we've asked her for in order to be able to assess what her circumstances were like at the time she was provided with this credit card.

She's provided us with a credit report from 2020, which doesn't show me what she actually owed in September 2015, and some information showing that she was paid a little less than the amount she declared on her application at the time of applying for this credit card. But none of this information clearly demonstrates that HSBC obtaining more information on Mrs J's actual living costs would have shown that she couldn't make the payments required to clear the balance on this credit card in a reasonable period of time. I say this while particularly mindful that HSBC was entitled to rely on the declaration of income that Mrs J provided in September 2015.

Mrs J has said that it was a financial advisor that instructed her to complain as she was told that she shouldn't have been given this much credit. I don't know what Mrs J's financial advisor based their conclusion on – particularly as any information relied upon doesn't

appear to have been shared. But, in any event, I have to make my own determination of what proportionate checks are likely to have shown here.

I also have to take into account that part of Mrs J's reasoning for her complaint is that she was given several limit increases before her account was closed, in circumstances where her credit limit was never increased. HSBC's contact records also show that Mrs J asked how much she would need to repay to clear her entire balance – which is an indication, at the very least, that she had the funds to do so. In these circumstances, it's difficult for me to uphold the complaint on the basis of Mrs J's recollections alone, without any corroborating evidence, to support what she's said.

So overall and having carefully considered everything, I've not been persuaded that proportionate checks would have shown HSBC that it shouldn't have provided this credit card to Mrs J. And I'm therefore not upholding this complaint. I appreciate this will be very disappointing for Mrs J. 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 this complaint, I'd like to remind HSBC of its obligation to exercise forbearance and due consideration should it intend to collect on the outstanding balance on Mrs J's credit card and it is the case that she is now experiencing financial difficulty.

My final decision

For the reasons I've explained, I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs J to accept or reject my decision before 24 May 2024.

Jeshen Narayanan
Ombudsman