

## **The complaint**

Miss L complains that HSBC UK Bank Plc (“HSBC”) irresponsibly granted her a credit card account she couldn’t afford to repay.

## **What happened**

Miss L entered into an agreement with HSBC to have access to credit by way of a credit card account. The account was opened in January 2017 with a credit limit of £1,000. This was increased to £2,000 in February 2017, £3,000 in February 2019, £4,000 in August 2019, £5,000 in February 2020, £6,000 in March 2021 and finally £7,000 in July 2022.

Miss L says that HSBC didn’t complete adequate affordability checks when it opened her account and went on to grant her credit limit increases. She says if it had, it would have seen that the card wasn’t affordable for her. She also says it led to her getting into further debt.

HSBC said that it carried out a reasonable and proportionate assessment to check Miss L’s financial circumstances before granting her the card account and each of the credit limit increases.

Our investigator didn’t recommend the complaint be upheld. She thought HSBC didn’t act unfairly or unreasonably by approving the account opening and each of the credit limit increases.

Miss L didn’t agree and so her complaint has been passed to me for a final decision.

## **What I’ve decided – and why**

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

HSBC will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don’t consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

Before opening the account I think HSBC gathered a reasonable amount of evidence and information from Miss L about her ability to repay. I say this because it asked for details about her income and job and other information relating to her financial situation. HSBC then validated her employment details. It also carried out a credit check to find out more about money she owed elsewhere. This check showed no adverse information, such as defaulting on credit or having a county court judgment against her. However, just because I think it carried out proportionate checks for the account opening, it doesn’t automatically mean it made a fair lending decision. So, I’ve thought about what the evidence and information that HSBC gathered showed.

Having done so I’m satisfied that the checks that were completed showed that the agreement was likely to be affordable to Miss L. I say this because Miss L was at the time

earning £23,000 a year, which would mean a monthly net income of around £1,500. HSBC used statistical information to calculate her likely monthly essential expenditure to arrive at a disposable income of £540. It also took into consideration that Miss L was living at home at the time. From what I've seen, I think it's likely that Miss L was in a reasonably stable position financially at that point.

Miss L has said she'd taken out a loan for £4,000 at around the same time as she applied for the card. But given that it takes some time, often several weeks, for a new line of credit to be recorded on a credit file, it isn't something that I would have expected HSBC to be aware of when carrying out its checks before granting Miss L her opening credit.

I've also kept in mind that Miss L had applied for the card at least in part with a view to making a balance transfer, presumably to pay off one or more of her other credit balances. On one hand, this can be seen as a practical way to reduce credit balances, especially if higher levels of interest are being paid. But lenders also need to be aware that clearing a balance means the credit remains available and can be used again, increasing a consumer's total level of credit going forwards. I've kept all these factors in mind but, having noted Miss L's level of committed credit at the time of her application, I don't think this is something that ought to have been a significant concern for HSBC.

It follows that I don't think HSBC acted unfairly when approving the card application.

HSBC doesn't have details of Miss L's circumstances at the time of the first credit limit increase in February 2017. Given that it was only a month or so since the opening credit limit was granted, it's likely that her financial circumstances had not altered to a great extent, but of course I've no way of knowing for sure. Overall, I don't think it's likely that HSBC acted unfairly in approving it.

Turning to the five further credit limit increases, I think HSBC gathered a reasonable amount of evidence and information from Miss L about her ability to repay. This included looking at how she was managing her HSBC card as well as reviewing information provided by credit reference agencies.

Looking at the second credit increase, I can see from the information HSBC was holding that Miss L was using around 14% of her available balance, but it was noted that this had been averaging at around 79% in the previous six months. Her account usage showed no issues of concern so I think a credit limit increase of a further £1,000 was likely to be sustainable at this point.

Going forwards to the later increases, I can see that Miss L showed she was continuing to manage her account reasonably well. Her payment history didn't raise any significant concerns and HSBC's checks showed that Miss L would be able to reduce her account balances sustainably. HSBC had also noted that Miss L's monthly repayment levels were on occasion substantially over the minimum required. I have seen that Miss L has told us that this calculation didn't take into account that these were due to balance transfers and other reasons. But this isn't the sole factor I've considered.

From what I've seen, I'd say that on balance and based on the available information it had about how Miss L was using her account, HSBC carried out reasonable and proportionate checks for each of the limit increases. Whilst her total indebtedness had increased during the period of limit increases, HSBC's credit checks suggested that her total number of active accounts had reduced. The checks also showed her total level of unsecured debt remained relatively stable. There was also no notable deterioration in her financial situation, such as reliance on cash withdrawals, falling into arrears or adverse events such as a default being

registered. So in short, Miss L's credit file showed that her other credit was being kept under control. This meant that it was likely that each of the six increases would be affordable.

I'd like to add that Miss L has also provided bank statements that show her financial situation was, broadly speaking, stable. I've seen that from time to time her expenditure was exceeding her income but this didn't result in excessive use of an overdraft facility

Taking all this into consideration, I therefore don't think that HSBC acted unfairly when granting each of the credit limit increases.

I've seen that Miss L strongly disagrees with our investigator's findings and has gone into some detail to show how, going forward from the point of the second credit limit increase, she was not in fact sustainably paying down her balance whilst at the same time her finances were becoming increasingly stretched. I've also seen from her credit report that she was consistently borrowing elsewhere and making regular use of balance transfer facilities. However, whilst I can see how a more in-depth enquiry might have revealed issues in the way she was managing her overall financial situation, I can't say that there's enough evidence or information to suggest that such further enquiries were necessary.

In summary, the evidence and information I've seen demonstrates that Miss L was managing this and other credit sufficiently well to be able to make regular, sustainable repayments. I am therefore unable to make a finding that it acted unfairly by increasing Miss L's credit limit on each occasion.

It follows that I don't think HSBC's actions in opening the account and for each of the six credit limit increases is enough to show that it acted irresponsibly so as to grant her credit that was likely to be unaffordable.

### **My final decision**

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 26 December 2023.

Michael Goldberg  
**Ombudsman**