

The complaint

Mr B complains that HSBC UK Bank Plc was irresponsible in its lending to him.

What happened

Mr B says that he was provided with a £1,000 overdraft on his current account and wasn't able to repay this. He says he had to take out a loan with HSBC to repay the overdraft and two HSBC credit cards he had. He says when he applied for the overdraft a credit check would have shown he had recently missed payments on other credit commitments and that he had taken out several payday loans. He says he had also missed direct debit payments. Mr B says the fees and charges made his situation worse and although his overdraft and credit card limits were reduced at the time of the loan, he still wasn't able to manage his repayments.

Mr B wants HSBC to refund the fees and charges added to his current account, credit cards and loan and have all adverse information removed from his credit file.

HSBC issued a final response in May 2023. It said that since Mr B opened his bank account in 2020, he had received interest charges totalling £47.09 with the last charge of 55p applied in September 2022 being reversed. It didn't accept that its charges were unfair and said they had been applied in line with the account terms and conditions. As a gesture of goodwill, it agreed to refund £46.54 but said any future overdraft debit interest would not be refunded unless it was applied due to HSBC error. Regarding Mr B's credit cards and personal loan, it said all interest had been applied in accordance with the terms and conditions.

Mr B didn't accept HSBC's response and referred his complaint to this service.

Our investigator noted that Mr B had complained about all of the credit products provided by HSBC but explained these would be dealt with as separate complaints. He explained that this investigation was into Mr B's overdraft but said that as all the complaints were connected this would be considered. He noted that Mr B was provided with a £1,000 overdraft in February 2020, and this was reduced to £50 in September 2022. He noted that before the overdraft was provided HSBC carried out a credit check and Mr B provided information through the online application. He didn't think this raised concerns that the overdraft would have been unaffordable. He also didn't think that Mr B's usage of the overdraft facility raised concerns of financial difficulty. Because of this he didn't uphold Mr B's complaint.

Mr B didn't agree with our investigator's view. He said the overdraft was reduced due to the personal loan he took out. He said he was struggling to pay the overdraft, two credit cards and a loan with HSBC in September 2020 and was offered a new loan to pay off the existing loan and reduce his credit card and overdraft limits. However, he said the new loan wasn't affordable.

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.

As has been explained, this decision is in regard to the overdraft Mr B was provided when he opened a new bank account in February 2020. Mr B's complaints about the other credit products HSBC provided to him are being dealt with separately.

I can understand why Mr B is upset and that he feels that HSBC didn't carry out adequate checks before providing credit products to him. However, for me to uphold this complaint, I would need to be satisfied that HSBC should have realised that providing Mr B with a £1,000 overdraft on his bank account in February 2020 was irresponsible. Mr B was provided with other credit products by HSBC, but these were provided after the overdraft. My assessment is based on the information available to HSBC and the information that it would have been reasonable to have gathered at the time of Mr B's application in February 2020.

HSBC has said that before providing any form of lending to a customer it carries out a detailed creditworthiness and affordability assessment using information provided through the application process and external data from credit reference agencies. I have looked through the application information and can see that Mr B was recorded as being employed full time with an annual income of £32,500 and living with parents. HSBC has said that it validates the income supplied and while I haven't seen the evidence of this based on Mr B's bank statements, I find it reasonable that HSBC would have relied on this income figure.

HSBC has said that it carried out a credit check. I haven't seen the results of this, but I note this was the first borrowing Mr B had with HSBC and the credit risk category recorded at application was 'low'. I have looked at the copy of the credit file provided by Mr B to identify what HSBC would most likely have seen based on a credit check undertaken at the time. Having done so I do not find that this raises concerns that would have required HSBC to carry out further checks or to consider the lending irresponsible. While I note the credit file showed that Mr B had previously used short term loans and had previous credit commitments, he had settled these and no adverse information had been recorded. He had a loan outstanding at the time that he had taken out around December 2019 but I do not find I can say this is enough to say that a current account with £1,000 overdraft should have been considered unaffordable.

I also note that HSBC has, as a gesture of goodwill, already refunded all the interest charged on the overdraft (the refunds can be seen in Mr B's statements dated 23 May 2023) so Mr B hasn't suffered any interest on his overdraft.

Based on the above, I do not uphold this complaint.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 5 February 2024.

Jane Archer
Ombudsman