

The complaint

Mr N complains that HSBC UK Bank Plc acted irresponsibly by increasing his overdraft limit.

What happened

Mr N's HSBC account had a £1,700 overdraft facility in August 2016 which was increased to £3,500 in October 2016. In April 2017, the overdraft facility was reduced to £1,000 after Mr N successfully applied for a loan. In July 2017 the limit was increased to £2,000 and then to £4,000 in August 2017.

Mr N says that HSBC didn't carry out adequate checks before providing the lending and that when he asked for assistance it just offered him more products. He says that his statements showed he was paying for a mortgage as well as other financial commitments at the time and that he was juggling his finances in the hope they would improve.

HSBC issued a final response dated 5 June 2023. In response to Mr N's complaint about the increase to his overdraft limit it said that based on the records it still held there were no issues with affordability. It said Mr N's monthly income at the time of the increases was £4,693 and his monthly outgoings were £2,000 showing he had a good amount of disposable income.

Our investigator upheld this complaint from the overdraft limit increase to £4,000 in August 2017.

HSBC didn't confirm its acceptance of our investigator's view and Mr N asked that it be progressed to 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.

Mr N has raised a complaint about irresponsible lending by HSBC. This decision is about the limit increases applied to Mr N's overdraft. HSBC will be familiar with all the rules, regulations and good industry practice we consider when looking at whether a bank treated a customer fairly and reasonably when applying overdraft charges. So, I don't consider it necessary to set all of this out in this decision.

Mr N was provided with an overdraft of £1,700 on his account in August 2016. This was increased to £3,500 in October 2016 and then reduced to £1,000 in April 2017. Following this, two limit increases were applied – one in July 2017 and one in August 2017, it is these limit increases that this decision relates to.

Before the limit increases were provided, we would expect HSBC to carry out adequate checks to ensure the lending was affordable for Mr N. Unfortunately, due to the time that has passed HSBC has said it no longer has copies of the checks it undertook at the time. I have therefore considered the other information that has been provided, specifically Mr N's bank

statements, to understand what HSBC would likely have identified through checks carried out at the time.

Mr N's bank statements show that he was receiving a monthly income of around £4,700 in the months leading up to the overdraft limit increases. While his account went into credit on 4 April 2017 following the receipt of the loan proceeds (at which time his overdraft limit was reduced to £1,000), his account had gone back into its overdraft on 18 April. Mr N's monthly income cleared the overdraft on 25 April 2017 and his account then remained in credit until 10 May 2017. A similar situation occurred in the following month with Mr N able to clear his overdraft with his monthly income, but his account then returned to an overdraft position around two weeks later. This shows that Mr N was making regular use of his overdraft. But based on the evidence I have seen and noting Mr N's income and expenses at the time, I do not find that I have enough to say that the increase of the overdraft limit to £2,000 in July 2017 appeared unaffordable, or that Mr N's account behaviour suggested this would be unsustainable for him.

In July 2017, Mr N made use of the additional funds provided by the limit increase. Before his monthly income was paid on 25 July, Mr N's overdraft was around £1,900. While his income cleared the overdraft, given how quickly Mr N made use of the additional funds, I think it would have been proportionate to have monitored his situation for a reasonable period before agreeing any further limit increases. However, the following month HSBC agreed to a further limit increase to £4,000. This limit was higher than the limit in place before the reduction in April 2017.

Having considered Mr N's income and expenses at the time I do not find that it was reasonable for HSBC to consider that Mr N would be able to sustainably repay an overdraft with a limit of £4,000. And noting his previous overdraft usage, and that HSBC had reduced his limit to £1,000 a few months earlier, I do not find it reasonable that this additional lending was provided.

Based on the above, I uphold this complaint regarding the overdraft limit increase applied in August 2017.

Putting things right

HSBC should:

- Re-work Mr N's current overdraft balance so that any additional interest, fees and charges applied as a result of the overdraft limit increases from 1 August 2017 onwards are removed. This means that from 1 August 2017 onwards interest can only be charged on the first £2,000 of any overdrawn balance.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made, HSBC should contact Mr N to arrange a suitable repayment plan for this. If it considers it appropriate to record negative information on Mr N's credit file, it should backdate this to 1 August 2017.

OR

- If the effect of removing all interest, fees and charges results in there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Mr N, along with 8% simple interest on the overpayments from the date they were made (if they were) until the date of settlement. If no outstanding balance

remains after all adjustments have been made, then HSBC should remove any adverse information from Mr N's credit file.

If HSBC considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr N how much it's taken off. It should also give Mr N a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

My final decision is that HSBC UK Bank Plc should take the actions set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 3 April 2024.

Jane Archer
Ombudsman