

## **Complaint**

Mr S has complained that HSBC UK Plc (“HSBC”) irresponsibly provided him with a credit card, which it then unfairly failed to reduce the credit limit on when this was requested.

## **Background**

Mr S was provided with a credit card, which had an initial credit limit of £6,000.00 in January 2017. The credit limit on the card was never increased but Mr S made a request for the limit to be reduced to £500 in April 2017. However HSBC did not action this request.

Mr S initially complained about HSBC’s failure to reduce his credit limit. HSBC accepted that it failed to action a credit limit reduction request that Mr S made in April 2017. So it agreed to refund all of the interest added to Mr S’ credit card between April 2017 and March 2019. Mr S was dissatisfied at this and eventually referred his complaint to our service.

One of our investigators reviewed what Mr S and HSBC had told us. And he thought that HSBC ought to have realised that it shouldn’t have provided this credit card to Mr S in the first place. So he upheld Mr S’ complaint and recommended that HSBC repay all of the interest added to Mr S’ credit card account from when it was first opened. He also thought that it should pay Mr S £250 for the distress and inconvenience caused by it failing to reduce Mr S’ credit limit as per his request.

Despite being chased to do so, HSBC didn’t respond to the investigator’s view on whether Mr S should have been lent to in the first place and so the case was passed to an ombudsman for review.

## **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 Mr S’ complaint.

Having carefully considered everything provided, I’m upholding Mr S’ complaint. I’ll explain why in a bit 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 Mr S could afford to repay before providing Mr S with his credit card.

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.

The credit card Mr S was provided with had a credit limit of £6,000.00. And as this was a revolving credit facility, HSBC was required to understand whether Mr S could repay around £6,000.00 within a reasonable period of time.

From the information provided, I understand that Mr S was asked to provide a declaration of his income and a credit check was carried out to understand what his existing credit commitments were. HSBC hasn't provided the detail of what it saw in these credit checks but it nonetheless says that when Mr S' credit commitments together with a reasonable estimate of living costs were deducted from his income he had a sufficient amount left over to repay what he would owe within a reasonable period of time, if he had used the entire £6,000.00 available to him.

I've thought about what HSBC has said.

What's important to note is that Mr S was provided with a revolving credit facility rather than a loan. And this means that HSBC was required to understand whether a credit limit of £6,000.00 could be repaid within a reasonable period of time, rather than all in one go. Having said that a credit limit of £6,000.00 wasn't small and it nonetheless required monthly payments of a relatively chunky amount in order to clear the full amount owed within a reasonable period of time.

In these circumstances, I think that it would have been reasonable and proportionate for HSBC to find out a bit more about Mr S' regular living costs (particularly as he was already a HSBC customer), rather than rely on estimates before offering this credit card with a £6,000.00 credit limit. As I can't see that HSBC did do this, I don't think that the checks it carried out were reasonable and proportionate.

As I'm satisfied that reasonable and proportionate checks weren't carried out before Mr S' credit card was provided, I can't say for sure what they would've shown. Nonetheless, I still need to decide whether it is more likely than not that proportionate checks would have told HSBC that Mr S would have been unable to sustainably repay £6,000.00 within a reasonable period of time.

As I've explained, I think that HSBC needed to get a better understanding of Mr S' expenditure before providing him with this credit card. Having looked at Mr S' income, payments to existing credit commitments and his regular living expenses, I'm satisfied that Mr S is unlikely to have been able to make the required payments to this credit card.

What I've seen, from around the time, suggests most of Mr S' income was taken up by his existing living costs and repayments to his existing commitments. So I don't think that he had the funds necessary to make the payments that would have been necessary to repay this credit card within a reasonable period of time, while also maintaining his existing commitments.

Bearing all of this in mind, I'm satisfied that reasonable and proportionate checks would more likely than not have demonstrated that Mr S would not have been able to repay £6,000.00 within a reasonable period of time and certainly without borrowing further. In these circumstances, I find that reasonable and proportionate checks would more likely than not have alerted HSBC to the fact that Mr S couldn't afford a credit card with a limit of £6,000.00 in January 2017. And so HSBC didn't act fairly and reasonably when it provided Mr S with his credit card in January 2017.

Mr S ended up paying and is still being expected to pay interest on a credit card which he shouldn't have been provided with in the first place. So I'm satisfied that he lost out because of what HSBC did wrong and that HSBC should now put things right.

### **Fair compensation – what HSBC needs to do to put things right for Mr S**

Having carefully considered everything, I think that it would be fair and reasonable, in all the circumstances of Mr S' complaint, for HSBC to put things right in the following way:

- Rework Mr S' credit card account to ensure that all interest, fees and charges are removed.
- 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 S 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 S' credit file.
- Pay Mr S £250 in compensation (as agreed) for the distress and inconvenience caused by its failure to reduce Mr S' credit limit to £500, in line with Mr S' instructions, in April 2017.

† HM Revenue & Customs requires HSBC to take off tax from this interest. HSBC must give Mr S a certificate showing how much tax it has taken off if he asks for one.

### **My final decision**

For the reasons I've explained, I'm upholding Mr S' complaint. HSBC UK Bank Plc should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 9 April 2024.

Jeshen Narayanan  
**Ombudsman**