

The complaint

Mrs B, via her representative, has complained that HSBC UK Bank Plc acted irresponsibly when it provided her access to multiple forms of credit.

Mrs B applied for a credit card, two loans and an overdraft facility from HSBC. This decision will only consider what happened in relation to the two unsecured personal loans provided to Mrs B.

Background

Mrs B applied for two personal loans with HSBC. The first loan was for £1,500 and was approved in April 2023. The second loan, which consolidated the first loan, was applied for in September 2023 and was for £3,460. At the time she applied for the loans Mrs B was gambling in a compulsive and harmful way. Her representative has said that HSBC should have realised she was financially vulnerable and refused to provide her with the funds, which were ultimately lost to gambling.

HSBC has said that at the time Mrs B applied for the loans it ran all the necessary checks to ensure that the loans would be both affordable and sustainable. Having done so it says there was nothing to indicate that Mrs B was becoming over reliant on credit or that she would have any problems meeting her monthly repayments, so it didn't think it had done anything wrong and didn't uphold her complaint.

Unhappy with HSBC's response Mrs B brought her complaint to this service. I issued a provisional decision on 2 December 2024 explaining why I didn't think the bank was wrong to provide the loans and didn't intend on upholding the complaint. I asked both parties to provide any comments or additional information for me to consider by 16 December 2024 after which I would reconsider my findings.

HSBC responded saying it had nothing further to add. Mrs B's representative responded on her behalf asking that I reconsider the amount of money that she lost through gambling. He repeated she had lost £18,000 and that the bank's decision to provide her with credit across multiple products, totalling £12,000, enabled those losses. Therefore, he disagreed with my findings and felt I hadn't fully considered the impact on her.

As no new information has been provided for me to consider my findings remain the same, so I will repeat them here. However, I will also address the concerns raised by Mrs B's representative below.

My findings

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

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance, and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, the total cost of the credit and what it knew about the consumer at the time of application.

I also want to acknowledge that I've summarised the events of the complaint. But I want to assure both parties that I've reviewed everything on file. And if I don't comment on something, it's not because I haven't considered it. It's because I've concentrated on what I think are the key issues. Our powers allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

Mrs B's representative has explained she has a compulsive gambling problem and that the funds provided from both loans were used to fund this habit. He only became aware of the problems Mrs B was having in March 2024. At that time, he repaid as many of her outstanding debts as he could and started to support her in managing her finances.

In response to the provisional decision Mrs B's representative pointed to the total amount of credit provided by HSBC via both loans, a credit card, and an overdraft facility. All of which were used to fund a compulsive gambling problem. So, he has questioned why I didn't uphold her complaint given the undeniable harm she's experienced.

It's important to clarify that this decision is only considering Mrs B's circumstances at the time she applied for the loans. The lending decisions for the credit card and overdraft facilities, as well as her circumstances at the time of applying for those, and what the bank should have been aware of at those times, will be considered elsewhere.

Having reviewed Mrs B's circumstances at the time she applied for the loans, I couldn't find anything that I thought would have alerted the bank to how she was spending the funds and why she was applying for credit. Which is why I couldn't conclude the bank had made an error in approving them.

However, as Mrs B complained about all the different forms of credit provided to her, each credit application will be considered separately and that includes reviewing the information considered by the bank, what checks were run and what it would have seen. As this decision is only reviewing the loan applications I've not considered what happened when she applied for the credit card or the overdraft facility or what the bank would have seen at the time of those subsequent applications. And as I explained in the provisional decision I couldn't find anything that would have alerted the bank to how she was spending the funds, or that they may be unaffordable for her, and therefore couldn't uphold the complaint.

I do want to clarify that I understand Mrs B's compulsive gambling has had a devastating impact on her and her family. But I can only base my findings on what the bank did know, and should have known, at the time she applied for the loans. And having done that I couldn't find anything that would have alerted the bank to the fact she was gambling in a harmful way at that time. Which is why I couldn't uphold her complaint on that basis.

For the sake of transparency, I will repeat the reasons why I came to that conclusion here.

When considering complaints about lending it is important to clarify is that there is no prescriptive list of checks that a business has to complete when considering an application for credit. The Financial Conduct Authority, (FCA), has set out regulations and rules for credit providers to adhere to in its 'Consumer Credit Sourcebook' (CONC).

These rules require that credit providers complete appropriate and proportionate checks

when considering whether or not credit is likely to be affordable and sustainable for consumers, but not what those checks should be. Which means there was no obligation on HSBC to review Mrs B's bank statements, or the types of transactions on her current account, or those on her credit card. All the bank needed to do was to consider what Mrs B's likely income and expenditure was, how she was managing her existing credit obligations, and whether there were any indicators that she was becoming financially vulnerable. But how it did this was at its discretion.

We asked HSBC what checks it ran when Mrs B applied for both loans. It explained that when Mrs B applied for the first loan for £1,500 in June 2023 it asked her to provide some information on her income and expenditure. Having done so it found she had a monthly income of approximately £1,400 and some existing credit obligations, which were well maintained. Mrs B also had a HSBC credit card she was making repayments on and while she did also have an overdraft that was being used, she was clearing this each month as well. So having reviewed her existing commitments HSBC decided there was nothing in her information to make it think she would struggle to meet her repayments. So, it approved the loan.

I agree that by June 2023 there was nothing to indicate Mrs B was struggling financially or that the lending would be inappropriate or unmanageable for her. That's not to say that Mrs B wasn't gambling in a harmful or problematic way by this time. However, at this point in time there was no indication that she was spending beyond her means. I say this because all of her existing accounts were well maintained and there were no missed payments or arrears showing on her credit file.

Circumstances where we might expect a bank to review the transactions on a consumer's bank statements in more detail are likely to those cases where there is already evidence of some financial stress or over reliance on credit. But in June 2023 Mrs B's accounts were well maintained. And while she was using her overdraft each month she wasn't exceeding its limit or failing to clear it regularly. So, I can't say the bank missed any flags she may have been struggling or that it should have done more thorough checks than it did.

Likewise, when Mrs B applied for the second loan, for £3,460, six months later, the first loan was being well maintained and all repayments had been met. The balance of the first loan was being rolled into the new loan, so Mrs B was still only required to meet one monthly loan repayment. Looking at statements, it does appear that Mrs B applied for another loan in July 2023 for £1,500 from a different lender. However, this loan doesn't appear to have been added to her credit file when she applied for the second loan with HSBC. So, the bank didn't have sight of it. This isn't unusual as it can take several weeks for credit files to be updated following new credit applications.

I can only consider what evidence the bank did review and whether or not there was anything in that evidence that should have prompted it to do more detailed checks. As mentioned above when Mrs B applied for the second loan, she was in full time employment, with limited outgoings and was well maintaining her existing forms of credit. So, I can't say there was anything in the results of the checks that were run by HSBC in September 2023 that should have prompted it to think more detailed checks were required or that the lending would be unaffordable or unsustainable for Mrs B. So, I can't say it was wrong to approve the second loan application and therefore I can't uphold her complaint on that basis.

I appreciate that Mrs B's gambling continued to increase after this point and that she continued to try to fund it through additional credit applications. But I can't fairly conclude that HSBC failed to identify indicators that Mrs B was becoming financially vulnerable because of the evidence in her account statements when no one from HSBC reviewed them.

And there was nothing in any of the information it did review that indicated she was struggling financially. So, I can't say that HSBC did anything wrong when it approved the loan applications for Mrs B.

I've also considered whether HSBC acted unfairly or unreasonably in some other way, including whether its relationship with Mrs B might have been viewed as unfair by a court under s.140A Consumer Credit Act 1974. However, for the same reasons I've set out above, I've not seen anything that makes me think this was likely to have been the case.

My final decision

For the reasons set out above, and in the provisional decision of 2 December 2024, I don't uphold Mrs B's complaint against HSBC UK Bank Plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 13 January 2025.

Karen Hanlon
Ombudsman