

## **The complaint**

Mr M and Mrs M complain that HSBC UK Bank Plc unfairly declined their application to port their mortgage to a new property.

## **What happened**

Mr M and Mrs M had an interest only mortgage with HSBC that was due to end in 2026. In May 2022, Mr M contacted HSBC to explain that he and Mrs M were looking to move house and wanted to transfer their mortgage over to the new property. Initially HSBC said that the mortgage couldn't be ported as Mr M wouldn't meet their lending criteria. So, they discussed transferring the mortgage into Mrs M's sole name. In a later conversation, HSBC told Mr M and Mrs M that if the mortgage was transferred into Mrs M's name, it would have to be switched to a repayment mortgage as Mrs M didn't meet the interest only lending criteria.

Mr M and Mrs M complained to HSBC, as they had been led to believe they would be able to transfer the interest only mortgage into Mrs M's name and port it to the new property. HSBC upheld the complaint and accepted that they hadn't handled things as they should have. They paid £200 to apologise. In the final response letter HSBC explained they could consider an application from Mr M and Mrs M to port the existing mortgage to a new property and continue on the same rate, amount and term subject to valuation and the legal process. The letter said Mr M and Mrs M would need to speak to a mortgage adviser and there would be no guarantee an application would be approved. A member of staff at HSBC also called Mr M to discuss the complaint outcome and explained that if they wanted to port the mortgage, the lending wouldn't be a problem, but they would still need to make sure the new property was suitable.

In October 2022 Mr M and Mrs M contacted HSBC again to make an application to port their mortgage and gave details of the property they were buying. HSBC explained Mr M and Mrs M wouldn't be able to port the mortgage because the new property they were purchasing didn't meet their criteria. They explained the mortgage could be ported in principle, but just not to that particular property. The application was referred internally to see if an exception could be made, but the decision remained unchanged.

Mr M and Mrs M complained. They felt HSBC's policy was unreasonable and the application hadn't been reviewed fairly, taking account of their individual circumstances. HSBC explained that Mr M and Mrs M's application had been reviewed by their policy team but as the property wasn't deemed suitable security, it couldn't progress any further.

Mr M and Mrs M redeemed their mortgage in January 2023 when they moved home and paid an Early Repayment Charge (ERC) of £10,032.54. They brought their complaint to our service and our Investigator looked into things. He didn't uphold the complaint. Mr M and Mrs M asked for the complaint to be referred to an Ombudsman, so it's been passed to me to issue a 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.

All mortgage lenders set their own criteria for the properties they're prepared to accept as suitable security for a mortgage. These criteria will be based on a number of things including their attitude to risk. Ultimately, it's up to HSBC what level of risk they're willing to accept when lending money to a borrower. I've seen HSBC's policy that is relevant to Mr M and Mrs M's porting application, and as the property they were looking to purchase was a flat within a building of more than four flats, I'm satisfied it did not meet the criteria. I appreciate Mr M and Mrs M are unhappy with the policy itself, and would like HSBC to explain the reasoning behind it, but that is not something they are required to do nor is it common industry practice. And ultimately it would not change the outcome of the application.

Whilst Mr M and Mrs M's application didn't meet HSBC's criteria, I've also thought about whether I would have expected HSBC to make an exception here on a fair and reasonable basis. I understand Mr M had received a recent diagnosis around that time and needed to have an operation which would impact his mobility. I'm sorry to hear he's been unwell, and I can appreciate this would have added to the stress he was experiencing at the time of trying to move house and make his mortgage arrangements. Mr M and Mrs M also felt they were very low risk given their financial circumstances and the loan to value of the new property.

I have thought carefully about all of this, but I'm not persuaded HSBC were acting unreasonably by following their policy. It's important that HSBC are treating all their customers fairly and being consistent in how they apply their internal criteria. HSBC were not concerned about the risk Mr M and Mrs M presented as borrowers, but it was the property that was the problem. And I'm not persuaded it would be reasonable to expect them to override their policy and take on more risk than they're generally willing to accept as a business.

HSBC made Mr M and Mrs M aware of the problem with the application as soon as they knew about the property they were moving to. Despite knowing that HSBC wouldn't port the mortgage to the new property, Mr M and Mrs M decided to go ahead with the purchase in the knowledge they'd have to pay the ERC. As HSBC agreed to port the mortgage subject to the property being suitable security, they had the option of looking for another property to avoid having to pay the ERC and find the funds for the purchase elsewhere. And whilst I understand the reasons for Mr M and Mrs M continuing with the purchase of the flat they'd found, that was their decision to make in knowledge of the facts.

Whilst HSBC admit they made some errors when Mr M and Mrs M enquired about porting in May 2022, I'm satisfied what they did to put things right at the time was reasonable. They did inform Mr M and Mrs M that they would consider a porting application on the existing mortgage terms, but they also explained that any application was not guaranteed to be approved, and the new property would need to be suitable for lending purposes. Unfortunately, the property Mr M and Mrs M wanted to buy wasn't.

I appreciate this will come as a disappointment to Mr M and Mrs M, but having carefully considered the submissions made by all parties, I'm not satisfied HSBC need to do anything further.

### **My final decision**

Considering everything, for the reasons I've explained, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M and Mr M to accept or reject my decision before 13 February 2024.

Kathryn Billings  
**Ombudsman**