

The complaint

Mr and Mrs C say that HSBC UK Bank Plc has unfairly refused to put in place the interest rate product they had successfully applied for. To settle the complaint, Mr and Mrs C want HSBC to put the interest rate product in place and backdate it.

What happened

Mr and Mrs C have a mortgage with HSBC, taken out in 2020. The mortgage was originally on a two-year fixed rate which was due to expire in September 2022.

In early August 2022 Mr and Mrs C applied for an interest rate product switch. Mr C chose the product, a three-year fixed rate at 3.09% which came with a product fee of £999. During the online application Mr C opted to pay the mortgage fee upfront rather than add it to the mortgage balance.

HSBC required Mrs C to provide consent, and because she had difficulty logging into the mortgage hub she spoke to HSBC on 4 August 2022. HSBC went through the process of confirming Mrs C's consent to the rate switch. At the end of the call the HSBC agent said that the rate would be ready to start at the end of the current one, depending on which rate they'd chosen, and whether it came with a booking fee that needed to be paid.

Mr and Mrs C say they believed their application for a new product had been successful. However, because they didn't pay the £999 product fee, the application lapsed and they didn't get the interest rate they'd chosen.

HSBC said it had sent messages via online banking to remind Mr and Mrs C that the fee was payable, but Mr and Mrs C say they rarely use online banking and so didn't see these.

Mr and Mrs C complained, saying they believed they'd done all they needed to do to complete the application. HSBC didn't uphold the complaint, so it was brought to our service where an investigator looked at what had happened.

The investigator thought the complaint should be upheld. The investigator said that the online confirmation screen Mr and Mrs C had seen led them to think the application had been successful. He didn't think Mr and Mrs C would have had any reason to check their online banking, especially as HSBC doesn't send any communication outside of online banking reminding customers to check their messages. The investigator thought that if the process had been clearer, Mr and Mrs C would have paid the fee.

HSBC disagreed with the investigator. The bank said that, after the confirmation screen, there was a reminder that the booking fee still needed to be paid.

HSBC said that the terms and conditions of the offer, which Mr and Mrs C had confirmed they'd read, said that the offer would expire if the booking fee wasn't paid. The bank said that on 3 August 2022 a message was sent to Mrs C advising her of the need to accept the offer and that any fees needed to be paid before the rate could be changed. This was also confirmed during the telephone call on 4 August 2022.

HSBC also said it had sent messages to both Mr and Mrs C separately on 5 August 2022 to remind them that the booking fee was outstanding. HSBC said that, as the fee wasn't paid, the offer lapsed. HSBC said that it did not use email to contact customers, as this isn't secure, and there was no requirement for the bank to send a letter reminding Mr and Mrs C to check their online banking messages.

The investigator wasn't minded to change his opinion that the bank hadn't done enough to alert Mr and Mrs C that the fee remained outstanding, and so the complaint has been referred to me for a decision.

Provisional decision of 10 October 2023

I issued a provisional decision in which I reached the following conclusions:

I'm satisfied Mr and Mrs C were aware from the product they'd chosen that they hadn't added the £999 product fee to the mortgage. That's because the illustration they received showed that the fee was payable separately.

I've also reviewed the screenshots HSBC has provided for the application process. I note that Mr and Mrs C say that the screen showed a green tick saying *"Thank you. Your application has been successful"* and that this led them to believe there was nothing further that needed to be done (other than Mrs C being able to give her consent, which she did on 4 August 2022).

However, immediately under the confirmation screen with the green tick it says:

What happens next?

Please note there is a fee(s) outstanding.

If you wish to pay now, please select 'Continue'.

You can pay later by selecting 'Mortgage Options' then 'My applications' from Personal Internet Banking however payment will need to be made before we can process your request.

Following payment we will advise you once your mortgage has been opened."

The screenshots also state that HSBC will send a secure message to individuals named on the mortgage. *"Please look out for updates within Online Banking in your My documents folder."*

I'm satisfied that when Mrs C spoke to HSBC on 4 August 2022 she was made aware that any outstanding fee would need to be paid.

I also note that on 2 March 2023 the investigator asked Mr C *"As there was a fee outstanding and you would have been aware if it had been paid or not, is there a reason why the fee wasn't paid?"*

In response Mr C said:

"As the lead application and HSBC customer I should have been informed if there were any outstanding steps required to finalise the application. However, I was only told that [Mrs C] needs to go online and accept the offer

to complete the process. I was not informed thereafter that there was any additional requirements (and as I already bank with them had no reason therefore to think contrary to what I was told). I am an existing HSBC customer (and have been for 25+ years) so HSBC have my email, phone number and home address, all of which they use to contact me. However, for this application they did not contact me by any of these means to inform me that there was an outstanding requirement. If they had I would have acted. HSBC's failure to correctly inform me of the outstanding step to secure the offer, having previously informed that [Mrs C] just needs to go on their portal and confirm acceptance, led to the offer expiring without our knowledge."

However, I'm afraid this response didn't, in fact, answer the investigator's question about why, when the product selected came with a £999 fee, this hadn't been paid. There does not appear to have been any satisfactory explanation given for this.

I'm satisfied that HSBC made it sufficiently clear from the application that it would communicate via its online portal, and there was therefore no obligation for the bank to use any other method of contact. Although Mr C says he doesn't use online banking, I would expect, having already been told that this is how the bank would be contacting him, that Mr and Mrs C would have checked their online banking messages – particularly as I am persuaded that they knew, or ought reasonably to have known, that they'd not paid the product fee.

In the circumstances, I'm unable to find HSBC was at fault. I'm satisfied the bank made it clear through the application process that there was a fee to be paid and that the rate switch wouldn't go ahead until it was paid. I'm also satisfied that Mrs C was told this when she spoke to HSBC on 4 August 2022. Furthermore, HSBC also sent secure messages reminding Mr and Mrs C that the fee was outstanding.

Because the fee wasn't paid, the offer lapsed. In the circumstances, I'm unable to find that HSBC has done anything wrong, or that it has treated Mr and Mrs C unfairly or unreasonably.

Responses to the provisional decision

HSBC had nothing further to add. Mr C reiterated previous points he made about believing the application had been completed, so I will not repeat those. Mr C noted the difference in my interpretation of the screenshots from those of the investigator and wondered if there had been inconsistency in the information provided by HSBC.

In relation to payment of the fee, Mr C said that he assumed, as a customer of HSBC, that the fee would be automatically deducted from his current account once the new mortgage product began. He said that if he'd been told the fee was payable upfront, he'd have paid it.

Mr C also said that it's not correct that HSBC doesn't communicate by email because HSBC regularly sends him emails to let him know that, for example, the interest rate on his credit card is changing, with updates about making online card payments, or that his current account statement is ready.

Mr C said that he received no emails to say that there were secure messages waiting for him to review. Mr C argued that it's unrealistic to expect him to check whether or not secure messages had been sent, given that HSBC had not made him aware of this means of communication.

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.

I have reviewed the file from the outset, revisited my provisional decision and taken note of the additional points Mr C has made.

There is no inconsistency in the information provided by HSBC. The screenshots which both I and the investigator reviewed contain the information set out above relating to the need to pay the fee and prompts the applicant to continue in order for this to be paid. There is nothing on HSBC's website to persuade me that Mr C was led to believe that the fee would automatically be deducted from his current account. I am therefore not persuaded that it was a reasonable assumption for Mr C to make that the fee would be automatically deducted from his account. Had this been the case, I'm satisfied HSBC would have said so, rather than specifically asking Mr and Mrs C to follow the steps required to pay the fee in the online application.

The emails Mr C has referred to are standard ones banks send to customers with general information relevant to their accounts, but which do not contain account-specific or confidential information. I disagree with Mr C that HSBC failed to make him aware of the need to check his online banking for messages about the application. As stated above, this information was provided at the time the application was made. I have asked the investigator to send Mr and Mrs C the screenshots provided by HSBC, as confirmation of what I have stated above.

In all the circumstances, therefore, whilst I acknowledge Mr and Mrs C's strength of feeling that they lost out on the rate they wanted, I'm unable to find that HSBC has done anything wrong. Mr and Mrs C were made aware of the need to pay the fee, and were not led to believe by HSBC that this would be deducted automatically from Mr C's account. I'm also satisfied that HSBC told Mr and Mrs C that updates would be provided through its online banking portal.

I appreciate this isn't the outcome Mr and Mrs C were hoping for. I am aware that increases in mortgage interest rates have had an impact on many mortgage borrowers. As a result, most mortgage lenders, HSBC included, have signed up to the Mortgage Charter, which sets out the support lenders can offer to borrowers. Information about HSBC's commitment to the Mortgage Charter can be found here: <https://www.hsbc.co.uk/mortgages/cost-of-living-support/>

My final decision

My final decision is that I don't uphold this complaint.

This final decision concludes the Financial Ombudsman Service's review of this complaint. This means that we are unable to consider the complaint any further, nor enter into any correspondence about the merits of it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C and Mr C to accept or reject my decision before 27 November 2023.

Jan O'Leary
Ombudsman