

The complaint

Miss J's complaint is about a mortgage application she made to HSBC UK Bank Plc. She applied to increase the amount of her borrowing and attach a new interest rate product to the mortgage, but the mortgage could not progress because of what she believes were problems with HSBC's systems.

In settlement of the complaint Miss J wants HSBC to provide her with a new mortgage of the amount it latterly agreed, but with the interest rate product she had originally wanted. Alternatively, she wants a substantial amount of financial compensation as she is in a worse position now than she would have been if the original application had gone through.

What happened

In the spring of 2018 Miss J took out a repayment mortgage with HSBC over 30 years. Attached to the mortgage was a fixed interest rate product, which had a term ending on 31 May 2023.

In August 2022 Miss J decided she wanted to borrow additional funds over the remaining term of the mortgage to enable her to extend the term of the lease on her home. She didn't request advice and started an application for a homeowner loan online. She wanted to borrow approximately an additional £131,000 over the remaining term of the existing mortgage – 25 years and 10 months.

There were issues with Miss J moving the application forward online. This involved Miss J calling several times. Following the application being submitted, she then contacted HSBC for help because she was having difficulty uploading documentation and giving approval for a credit check to be completed. During the latter conversation Miss J was told the valuation had come back in at a significantly lower figure than she had detailed in her application.

The application was acknowledged by HSBC on 26 August 2022. A valuation of her property was done, and it was concluded due to the lease being short, it was worth less than Miss J had thought and which she'd put in her application. Miss J was also asked to provide documentation, including employment contracts, pay slips and bank statements. She didn't do so immediately. However, following her doing so, the application was scored within HSBC's system, and it failed. Miss J was told on 13 September 2022 that her application was declined automatically by HSBC's system as it failed its scoring.

Following this it was suggested Miss J speak to one of HSBC's mortgage advisers, as some of the information she was providing was triggering the application to fail, and a mortgage adviser could hopefully assist. Miss J did so and a decision in principle was issued. The additional borrowing amount was reduced to approximately £92,000. In addition, a complete re-mortgage was recommended, over a term of just over two years longer. The interest rates available on fixed interest rate products were significantly higher by then and so Miss J didn't pursue the application. She complained about what had happened and that her application had been declined, but HSBC had been unable to explain why.

HSBC responded to the complaint in its letter of 12 October 2022. It confirmed that it was unable to progress her recent application because of missing employment information – the fixed term contract she had provided hadn't included an end date. HSBC explained in order for an application to be considered there had to be at least six months left of any such contract, and if Miss J could provide that evidence, it would be able to consider her most recent application. HSBC offered Miss J £50 for any distress or inconvenience she had experienced during the application process, but it otherwise didn't uphold her complaint.

Miss J was not satisfied with HSBC's response and asked us to consider her complaint. When she did she explained the problems she had experienced with HSBC's online system with her first application, which had been declined on the basis of her failing a credit check. Miss J said this was because one of the credit reference agencies had incorrectly recorded her as not being registered to vote. She had then been told by HSBC to meet with a mortgage adviser and there had been further administrative issues with the application process. However, that application had been accepted, but the interest rate products available by then had considerably higher rates associated with them. Miss J said she was unable to accept the mortgage offered and feels she was treated with utter disrespect and HSBC purposely caused problems so that it could charge as much as possible in interest.

When HSBC provided its file relating to the complaint, it confirmed that it had found no evidence that there were system issues as Miss J had suggested. It also confirmed the application didn't succeed because Miss J had applied for a sum that took her borrowing over 95% of the value of her home, there was an issue with the remaining term on the lease, and the contract of employment she provided stated the end date was to be confirmed. In addition, HSBC confirmed the interest rate product Miss J had originally applied for was only available to consumers with a loan to value of less than 95% and so she could never have had that product with the application she had submitted.

One of our Investigators considered the complaint, but she didn't recommend it be upheld. She was satisfied the compensation payment offered was appropriate.

Miss J didn't accept the Investigator's conclusions. She reiterated that there was nothing wrong with her credit score at the time of the application and she believes the application was declined because HSBC's system crashed while she was submitting the application. She also repeated her concerns about why there had been problems with the application and that it was deliberate so that HSBC could make more money from her.

The Investigator considered Miss J's comments and responded where appropriate, but she didn't change her mind about the outcome of the complaint. She said quite simply the application had not fitted with HSBC's lending criteria scoring. Miss J remained unhappy and stated that when she applied herself she had asked to re-mortgage, not just take additional lending, as she had wanted to fix a low interest rate on all her borrowing, not just the additional amount she wanted.

The Investigator provided some more information about the application Miss J had initially made and provided copies of documentation associated with it. This showed that Miss J had not applied to re-mortgage completely in August 2022, but rather had only applied for further borrowing. As Miss J continued to disagree, it was decided the complaint should be referred to an Ombudsman.

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 would initially explain to Miss J that we have no regulatory function; that's the role of the Financial Conduct Authority (FCA); nor are we a consumer protection body. We're an alternative dispute resolution body; an informal alternative to the courts for financial businesses and their customers to resolve their differences. We deal with individual disputes – when we're able to – subject to rules laid down by the FCA (which are known as the DISP Rules). As such, while I note that Miss J has concerns that lenders were allowed to increase interest rates in 2022 and 2023 as they have, that is not a matter that falls within our remit, and I can't comment on it.

I would also confirm at this stage, that while Miss J believes she applied for a re-mortgage in both August and September 2022, that is not the case. The documentation and other evidence from when she applied online in August 2022 is that she only applied for additional borrowing, and not a remortgage, which the telephone calls at the time indicate she was aware of. I haven't seen anything that indicates HSBC was responsible for what was applied for, as it was not an advised application. That said, when Miss J spoke to a mortgage adviser in September 2022, a re-mortgage was proposed and illustrated to her.

Miss J has questioned HSBC saying that it didn't have information about her employment. I think Miss J has misinterpreted what HSBC has said on this subject. It had the documentation she had provided it with, but that included a document that described itself as replacing previous terms on the contract. That document included a place for an end date for the contract to be included, but rather than giving a date, it said 'TBC' – to be confirmed. As such, HSBC needed confirmation of what the end date of the contract, as potentially altered by this document, was. That is the information that was missing and meant the application couldn't have progressed, as HSBC requires contractors to have at least six months remaining on their contracts.

I would also explain at this stage that Miss J is mistaken in her belief that it was a credit reference agency not having her recorded as being on the voters roll that caused the application to fail. When HSBC refers to scoring the application, it is not referring to running a credit check and obtaining Miss J's credit rating. Scoring a mortgage application involves more than just looking at a customer's credit rating and so an application where the potential borrower has a perfect credit rating can still fail. In this case, it appears there was more than one issue that caused the score to be a fail – the amount Miss J wanted to borrow in relation to the value of the property (due to the remaining term of the lease) and the missing information about her employment contract. In the circumstances, I can't find that HSBC acted unreasonably or unfairly when it declined the initial application.

At that point HSBC suggested Miss J go through an advised sale process. This cleared up one of the problems with the previous application by reducing the amount Miss J wanted to borrow so that the total borrowing fell within HSBC's acceptable loan-to-value range. The application type was also changed, which allowed a higher loan-to-value to be requested. Further information about Miss J's contract was also requested. Again, I don't consider that HSBC did anything wrong during this process.

Miss J has highlighted that HSBC's systems caused her problems and delayed the initial application. I have listened to the telephone calls up to the point the application was made and those following the application until it was declined. It appears the issues Miss J experienced before the application was submitted, which I am satisfied she was aware had happened, were due to problems with her browser or her having not completed the online forms correctly. I can't find HSBC responsible for that. Following this, the only thing I can find might have been an issue was Miss J not being sent a new link to upload additional information when HSBC asked for it. Having carefully considered the situation, I am satisfied the £50 HSBC offered Miss J for any inconvenience she suffered is sufficient.

My final decision

HSBC UK Bank Plc has already made an offer to pay Miss J £50 to settle the complaint and I am satisfied this offer is fair in all the circumstances. As such, my final decision is that HSBC UK Bank Plc should pay £50 in full and final settlement of this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Miss J to accept or reject my decision before 12 January 2024.

Derry Baxter

Ombudsman