

## **The complaint**

Mrs K and Mr S complain that HSBC UK Bank Plc wrongly advised them not to switch to a five-year product in 2021. They ask that it applies the five-year rate available at that time to their mortgage.

## **What happened**

In mid-2021 Mrs K and Mr S contacted HSBC. They wanted to take out additional borrowing for home improvements. They also asked HSBC about switching to a five-year fixed interest rate product. They had a product in place at that time, so switching would mean paying an early repayment charge (ERC) and a product fee. HSBC said this wasn't cost effective.

Mr S says HSBC didn't take into account that they wanted the certainty of a five-year product, or take their fears about rising interest rates seriously. He says it only compared the potential savings over the remaining term of their existing product (21 months), not over five years, and they weren't aware of this until recently. Mr S says HSBC did give them advice (which was not to switch) and it was in a position to speculate about future interest rates when their product ended.

Our investigator said HSBC told Mrs K and Mr S it could only compare the savings over the remaining term of their fixed rate product. It said Mrs K and Mr S could switch products if they wanted. Our investigator said HSBC gave Mrs K and Mr S correct information. Mr S and Mrs K didn't agree.

## **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'm sorry to disappoint Mrs K and Mr S but I'm not upholding their complaint.

First, I don't think it was incorrect or unfair for HSBC to compare the costs savings over the remaining term of Mrs K and Mr S's existing product (which was due to expire on 31 May 2023).

HSBC couldn't calculate if switching products would result in cost savings after May 2023 as it didn't know what rate would be applied to their mortgage.

The mortgage adviser Mr S spoke to in July 2021 said he couldn't calculate savings over five years. He told Mr S he could only work out the saving over the remaining term of the existing product and this wouldn't be cost effective, given the ERC.

HSBC says while switching would have saved Mrs K and Mr S about £60 per month up to May 2023 (totalling about £1,200) they'd have had to pay an ERC of £2,400 and a product fee of £999.

Mr S told the mortgage adviser he wanted certainty over five years, and wanted to know what the cost of this would be. The mortgage adviser said he could still switch products if he

wanted to and had a reason to do so, even if this wasn't cost effective.

I think it was made clear to Mr S that the mortgage adviser calculated the cost savings over the remaining 21 months of the existing product. And that Mr S and Mrs K could still switch products if they wanted to.

Mr S contacted HSBC again in November 2021 about taking out the additional borrowing. He told the mortgage adviser he was thinking of a two-year interest rate product he'd seen online – this was for the additional borrowing. Mr S said he expected rates to increase. He said he was comfortable with a two-year rate for the additional borrowing but if it had been the main mortgage he'd have chosen a five-year rate. The mortgage adviser asked if he'd pay the ERC to switch his main mortgage onto a new rate if this was cost effective. The mortgage adviser noted the previous discussion in July 2021 had been that this wasn't cost effective. The adviser looked into switching the main mortgage onto a two-year rate and said this wasn't cost effective.

At the end of the call in November 2021 the mortgage adviser told Mr S he could apply for a new rate on an execution only basis, if he wasn't making other changes to the mortgage.

Because interest rates have increased, Mrs K and Mr S might have been better off switching to a five-year product in 2021, despite the ERC and product fee. I understand their frustration that HSBC didn't (or couldn't) tell them this in 2021. But HSBC couldn't have known in 2021 what interest rates would be in mid-2023. I don't think it would have been fair for HSBC to provide calculations based on an estimated or speculative interest rate which would, most likely, have been wrong.

I think HSBC provided the information it could, which was a cost comparison over the term of the existing product. It told Mr S this was the basis of the calculation. It also told him he could still switch products if he wanted to do so. This wouldn't have been an easy decision for Mr S and Mrs K. They'd have had to weigh the costs involved in switching against what they thought about future interest rate rises. But, ultimately, this was a decision that Mr S and Mrs K had to make. I don't think I can fairly find that HSBC should have advised Mr S and Mrs K to switch products in 2021 given they'd have paid the ERC and product fee without any certainty this would save them money overall.

### **My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K and Mr S to accept or reject my decision before 17 October 2023.

Ruth Stevenson  
**Ombudsman**