

The complaint

Mr H and Miss L said that HSBC UK Bank Plc told them they could only lock in a new interest rate product 90 days before their existing rate was due to expire. They complain that HSBC didn't do enough to tell them when its policy changed to allow rate switches up 120 days before expiry.

What happened

Mr H and Miss L have a mortgage with HSBC. The mortgage had two parts: part one had a fixed interest rate that was due to end on 20 April 2024; part two had a fixed interest rate that was due to end on 31 December 2022.

On 4 August 2022, Miss L called HSBC to discuss the options for switching interest rates. HSBC told her that the earliest she could switch the interest rate on part two was 90 days before the rate would expire, so 3 October 2022.

On 2 September 2022, HSBC wrote to Mr H and Miss L. The letter said:

"As you know, your current mortgage rate of 1.54% is coming to an end on 31 December 2022. So we've laid out all the information you need to help you think about your options..."

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Mr H and Miss L complain that HSBC did not make it clear that it had changed its policy so that borrowers could switch interest rate products up to 120 days in advance of an existing rate expiring. They waited until 90 days before their rate expired, by which time interest rates had gone up significantly. They said they could have got a much cheaper rate if they'd switched 120 days before – and the increase will have an extreme financial impact on them.

Subject to any further submissions, my provisional decision was to not uphold the complaint. My provisional findings, which form part of this decision, were:

I am sorry to disappoint Mr H and Miss L, but after reviewing the evidence I don't consider that HSBC has acted unfairly or unreasonably. I will explain why.

To decide what is fair and reasonable, I'm required to take into account a number of things, including relevant laws, regulations, rules and what I consider to have been best industry practice at the time in question.

The information HSBC gave Mr H and Miss L in the August 2022 phone call was correct at the time in question. So I can't see any error by HSBC during the phone call. At the time in question, HSBC was only required to give Mr H and Miss L reasonable notice that their payment was due to change because of a change in interest rate. When HSBC wrote to Mr H and Miss L on 2 September 2022 it met (or even exceeded) that requirement. It wrote at the earliest date possible Mr H and Miss L could switch rates with HSBC, although I accept that Mr H and Miss L might not have realised that.

I also consider that the letter was clear, fair and not misleading that Mr H and Miss L could switch rates at that point. HSBC invited them to do so and explained how they could do that. I think it would be very difficult to interpret the letter in a different way.

So while I understand that Mr H and Miss L thought the information in the phone call was still correct, I can't see that HSBC did anything to lead Mr H and Miss L to believe that. Nor did it give them any incorrect or misleading information. I don't consider there was any requirement for HSBC to highlight that its policy had changed – the letter was sufficiently clear that Mr H and Miss L could switch rates.

I think it would be difficult for me to say that at the time in question, HSBC ought to have notified individual customers that its policy had changed.

I know Mr H and Miss L will be very disappointed that I have changed the outcome reached by the investigator, particularly in view of the impact on their finances. But I can't see there has been any act or omission here where I could say that HSBC has not acted fairly or reasonably. It follows that I can't uphold this complaint.

HSBC accepted my provisional decision. Mr H and Miss L did not. They made a number of points, including:

- They'd received another letter from HSBC about switching the other part of the mortgage. It said, "*it is time for a new rate*". That is clearer than the September 2022 letter.
- Their complaint is not that HSBC did not notify them individually – but that it did not tell them about the change in policy in any way.

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.

Since 31 July 2023 there are new rules that apply to businesses called the Consumer Duty – that includes making sure consumers understand the information they are given. Those rules are not retrospective and so do not apply to the September 2022 letter. And it does not follow that the September 2022 letter did not contain sufficient information.

The rules at the time in question required HSBC to communicate in a way that is clear, fair and not misleading. I think the September 2022 letter from HSBC is sufficiently clear that at that point Mr H and Miss L were able to apply for a new rate. That went further than HSBC was required to do under the relevant rules.

After considering everything again, I can't see that HSBC has treated Mr H and Miss L unfairly. It gave Mr H and Miss L the correct information when they spoke to it – and it invited them to apply for a new rate when its policy changed.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H and Miss L to accept or reject my decision before 28 December 2023.

Ken Rose
Ombudsman