

## **The complaint**

Mr and Mrs H complain that their mortgage product transfer with HSBC UK Bank Plc which was to occur on 1 January 2023 was delayed by a month.

## **What happened**

Mr and Mrs H had three mortgage accounts on their property with HSBC Two were on a fixed rate which expired on 31 December 2022 and a third which didn't expire until 30 November 2023. Mr and Mrs H applied for a rate switch through a broker whom they contacted in September 2022. The rate switch was to occur for all three accounts on 31 December 2022 which I understand were to be merged, with the new contractual monthly payment to be made as normal on 16 January 2023. But this required payment of an early repayment charge ("ERC") on one of the accounts. As this wasn't paid the switch on the other two accounts didn't occur and the accounts moved onto the standard variable rate ("SVR").

Mr and Mrs H say that they were unaware that they were to pay the ERC or that the switch hadn't happened until 6 January 2023 when they found out that they were now on the SVR. Mr and Mrs H couldn't pay the ERC until payday which was 13 January. The ERC was paid on 19 January, but the new rate did not come into effect until 1 February. Mr and Mrs H say that they paid £258.13 extra for the month compared to the new rate and want this refunded together with compensation for their stress.

HSBC says that this application was broker introduced so its communications were with the broker. It said that there was an ERC on one of the accounts and that it told the broker on 19 December and 28 December and again in January that an ERC was due. Our investigator didn't recommend that this complaint should be upheld as she didn't consider that HSBC had done anything wrong. Mr and Mrs H disagreed and asked for a review.

## **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.

Mr and Mrs H had these three accounts with HSBC. Each account had a separate mortgage product. I see that there was a mortgage illustration and mortgage offer produced on 25 August 2021 That offer would have given the length of the fixed rate period, when it ended and if an ERC applied if it was redeemed early or switched. One of the accounts - Part 3 of the offer with an account ending 8164 - had a term fixed to the end of November 2023 and if it was redeemed early or Mr and Mrs H switched to another mortgage product, an ERC would have to be paid. The other two products ended at the end of December 2022. It's often better that the dates that the products end occur simultaneously as not to do so could cause difficulties for instance at the end of the mortgage term and might involve paying an ERC. It appears that the intention here was to merge the three mortgage products into one, switch the rate and extend the term at the beginning of January and pay an ERC on one of the products now to avoid an ERC problem later on. Mr and Mrs H were advised on this new set-up through their broker, The complaint arises because Mr and Mrs H say that they were

unaware that they had to pay an ERC on one of the mortgage products.

As this is a complaint against HSBC, the first question is whether HSBC failed to tell Mr and Mrs H that they would have to pay an ERC if they switched to another product before November 2023. The answer is in the documentation supplied to them when they took out the mortgage product in 2021, namely the mortgage illustration and mortgage offer which indeed tells them that an ERC will be payable on Part 3 of the mortgage if they switched to a different lender or product before November 2023. Mr and Mrs H wonder why HSBC didn't remind them that if they took out a new mortgage product in January 2023 that they would pay an ERC on Part 3. But HSBC wasn't advising them about the new product. It appears to have reminded their broker who was advising them on the new product but as it wasn't advising Mr and Mrs H at that point I don't consider that it was required to issue a further reminder to Mr and Mrs H.

As the ERC wasn't paid and the simultaneous switch of all three products hadn't occurred, two of the products went onto the SVR for the month of January and this caused Mr and Mrs H to pay £258.13 more than they should have done if the switch had occurred on 1 January. It seems that because Mr and Mrs H hadn't budgeted for the ERC that they couldn't pay it before Mr H's pay day or before HSBC had charged for the monthly payment due in January. As the monthly payment for January had already been raised and collected by HSBC, and is collected monthly by HSBC, it seems fair that the new monthly payments came into effect at the beginning of February. But although I sympathise with Mr and Mrs H and the fact that they had this extra payment to make just after Christmas, I can't fairly say that it was the fault of HSBC, and I don't uphold this complaint.

### **My final decision**

My decision is that I do not uphold this complaint.

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

Gerard McManus  
**Ombudsman**