

The complaint

Mr and Mrs M's complaint is about their mortgage with HSBC UK Bank Plc. Mr and Mrs M are unhappy that, when their interest rate product was due to come to an end, they weren't able to book a new rate due to the length of time remaining on the mortgage.

To settle the complaint Mr and Mrs M would like HSBC to compensate them for the loss of cashing in investments early *"which would be based on the percentage change of the mortgage interest rate due to the delayed timescale, multiplied by the capital sum we had to pay off."*

What happened

I do not need to set out the full background to the complaint. This is because the history of the matter is set out in the correspondence between the parties and our service, so there is no need for me to repeat the details here. In addition, our decisions are published, so it's important I don't include any information that might lead to Mr and Mrs M being identified. So for these reasons, I will instead concentrate on giving the reasons for my decision. If I don't mention something, it won't be because I've ignored it; rather, it'll be because I didn't think it was material to the outcome of the complaint.

Mr and Mrs M have an interest-only mortgage with HSBC initially taken out in 2008 and, at the time of the events complained of, due to reach the end of its term on 4 July 2023. In 2017 they took out a five-year fixed interest rate product which was due to expire on 31 December 2022.

HSBC sent Mr and Mrs M a form each year, referred to as the Annual Disclosure Form (ADF) in which Mr and Mrs M set out their repayment strategy for the interest-only mortgage. In 2021 Mr and Mrs M told HSBC on the ADF that their plan wasn't to repay the mortgage in July 2023 but to extend the term instead. They said they would either discuss this with HSBC at the appropriate time or would otherwise re-mortgage.

On 22 August 2022, during a telephone call, Mr and Mrs M were told that they could secure a new product up to 90 days in advance. HSBC changed its process two days later, allowing customers 120 days to apply for a new rate.

On 8 September 2022 HSBC advised Mr and Mrs M that their interest rate product was due to expire on 31 December 2022 and invited them to book a new rate online. This was a system-generated letter prompted by the pending expiry of the interest rate product, and so it did not pick up the impending term expiration date.

Mr and Mrs M weren't able to secure a new rate online, due to the remaining length of the mortgage term, which was only about ten months, and so less than the shortest fixed rate HSBC offered. At that point Mr and Mrs M had just over £73,000 outstanding on the mortgage. After a mortgage review with an adviser at the bank, Mr and Mrs M took out a new interest-only mortgage over a five-year term, reducing their borrowing to £25,000 and attaching a new fixed interest rate product to the new mortgage.

Mr and Mrs M complained to HSBC. The crux of the complaint is this: Mr and Mrs M say that over the last few years HSBC sent the ADF asking Mr and Mrs M to tell the bank about their repayment strategy for the mortgage. They'd explained to HSBC on this form that they would require a term extension. They said they *"would have hoped that a review at an important time of requiring a new mortgage deal would not have been necessary (as it should have been done nearer to the time the form was returned) and as a consequence of having to undertake a review at this later stage resulted in being offered an interest rate considerably higher than what it should have otherwise been..."*

Mr and Mrs M also complained that they'd not been given 120 days to renew their mortgage interest rate product, and that when Mr M had spoken to HSBC on 22 August 2022, he'd not been told that he'd need to go through a mortgage review and make an application.

In its final response, HSBC explained that the staff who dealt with the ADFs were not mortgage advisers and so would not use the information on those forms to review rates or products that the customer might at some point in the future want to apply for. HSBC said that it was up to Mr and Mrs M to contact the bank about a term extension.

HSBC clarified that the mortgage term and the mortgage interest rate product are two separate things, and the end dates of these might not coincide. Because a term extension was needed, this required an application.

Ultimately HSBC said it wasn't able to identify any bank error and so didn't uphold the complaint. Dissatisfied with this response, Mr and Mrs M brought their complaint to our service.

Mr and Mrs M said that, because they'd told HSBC the previous year that they'd wanted a term extension, HSBC should have used this information to be in a position to switch them onto a new rate immediately, without any delay. However, because this process took several weeks, interest rates increased in the meantime. Mr and Mrs M were also unhappy that they'd not been told in a timely manner about the change from the 90-day window to the 120-day window to switch to a new rate.

An investigator looked at what had happened but didn't think the bank had acted incorrectly. She was satisfied that the 120-day window had come in after Mr M had spoken to HSBC on 22 August 2022. The investigator understood Mr and Mrs M's frustrations, but didn't think that HSBC was under any obligation to backdate the interest rate or otherwise compensate Mr and Mrs M.

Mr and Mrs M didn't accept the investigator's findings. They asked for an ombudsman to review the case, and to be given advice about taking legal action.

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.

Having done so, I'm afraid I have disappointing news for Mr and Mrs M; I'm not upholding their complaint. These are my reasons.

First, in relation to the 120-day window, this came into effect on 24 August 2022, after Mr M had spoken to HSBC two days earlier. Mr and Mrs M's interest rate product was due to expire on 31 December 2022, and 120 days before that was 2 September 2022. HSBC sent out a system-generated letter on 8 September 2022, so there was only a six-day gap

(including a weekend), which I am not persuaded was onerous or resulted in any loss or detriment to Mr and Mrs M.

I say this because Mr and Mrs M couldn't apply for a rate online, as they needed a term extension. I completely understand why Mr and Mrs M were confused and frustrated when they tried to secure a new rate online but couldn't, and that they had to go through the process of applying for a term extension. Because a term extension is considered to be a material change to the mortgage contract, HSBC is entitled to consider affordability and assess the request against its lending criteria. It's not simply a formality that HSBC can do at the click of a button, as the bank is required to comply with its regulatory obligations in line with the Mortgages and Home Finance: Conduct of Business Sourcebook (MCOB) to ensure that any change to the mortgage is suitable, affordable and in the customer's best interests.

I'm not persuaded by Mr and Mrs M's argument that submission of the ADF many months earlier telling HSBC that they would need a term extension would (or should) have prompted the bank to have put an extension in place. Nor do I think HSBC was under any obligation to contact Mr and Mrs M to ask them if they still wanted this.

I say this because HSBC's role is to administer the mortgage account, not to manage it; it's up to Mr and Mrs M to manage their finances, including the timing of the repayment of their mortgage, and whether they wanted to repay it at the term end, or postpone that to some future date. HSBC wouldn't be expected to know if Mr and Mrs M had changed their minds about extending the term. Additionally, a request for a term extension isn't something that I'd expect HSBC proactively to offer to a customer, and I can see that Mr and Mrs M told HSBC when submitting a previous ADF that they would discuss a term extension with the bank "*at the appropriate stage*".

Mr M says that when he spoke to HSBC in August 2022 asking about booking a new rate he wasn't told he'd need to apply for a term extension. However, I'm satisfied that the reason for the call was to ask about the timing of a new rate, and Mr M was given the correct information about this specific point as at that date.

It wasn't until 12 October 2022 that Mr and Mrs M were able to have a full mortgage review with HSBC. Unfortunately, by this time interest rates had risen, largely as a result of events outside the control of HSBC. It was the mini-budget held on 23 September 2022 which caused turmoil in the financial markets and resulted in immediate interest rate increases. In turn this led to unprecedented demand for new mortgage interest rate products, leading to delay for some customers.

In all the circumstances, I think it's unlikely Mr and Mrs M would, or could, have secured an earlier appointment, and thus a better interest rate. As I've said above, HSBC wasn't obliged to offer, unprompted, a mortgage review in August 2022. It wasn't until mid-September that Mr and Mrs M were told they needed to apply for a term extension. However, I'm satisfied that a four-week turnaround for Mr and Mrs M's mortgage review was in line with general business standards, particularly given the financial climate at that time.

Overall, the evidence doesn't lead me to conclude that HSBC has treated Mr and Mrs M unfairly in relation to their request for a term extension or a new interest rate product. This means that I'm not upholding the complaint.

I'm also not persuaded HSBC is under any obligation to compensate Mr and Mrs M for cashing in some of their investments to reduce their mortgage balance. That was their choice. I will also explain that, although I've noted Mr and Mrs M's request for us to provide them with legal advice, we do not act either for consumers or financial businesses, and so

we are unable to give advice to Mr and Mrs M. If they would like legal advice, they will need to arrange this themselves, through their own solicitors.

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 Mr and Mrs M to accept or reject my decision before 2 January 2024.

Jan O'Leary
Ombudsman