

The complaint

Mr G complains that HSBC UK Bank Plc misled him about whether a product fee was refundable. As a result he missed out on the preferential interest product he wanted. He asks for compensation and that HSBC improves its communication.

What happened

Mr G applied to HSBC for a mortgage in mid-2020 to help fund the purchase of a property.

Mr G applied for a mortgage on a non-advised basis. He chose a fixed rate product and received a mortgage illustration in early August 2020. The mortgage illustration set out the fees payable, including the “fixed rate booking fee (non-refundable)” which had to be paid before an offer to lend would be issued.

HSBC instructed a valuation on 4 August 2020. The valuation was lower than expected. Mr G says because of this and other issues with the property he held off paying the booking fee. He didn’t want to lose the fee if the purchase didn’t go ahead.

HSBC asked for income information from Mr G during August 2020. HSBC sent a text message to Mr G on 4 September 2020 confirming his application was approved, with direct debit details and booking fees outstanding. It wrote to Mr G on 9 September 2020 saying the booking fee hadn’t been paid and the product he’d been interested in may not be available.

Mr G called HSBC on 22 September 2020 to check what he needed to do for the offer to be issued. He was told he needed to provide a direct debit mandate and pay the booking fee. Mr G asked if the rate he’d applied for was still the lowest available, but the call handler didn’t have access to the available product rates. Mr G said he’d check online.

Mr G logged onto his account to pay the booking fee on 4 October 2020. He saw that the product rate he’d wanted was no longer available. Mr G says due to time pressure with the sale and purchase chain, he felt he had to choose a new product with HSBC. HSBC issued a mortgage offer on 8 October 2020. The product Mr G took out had a higher interest rate than the one he first chose. He says this will increase the cost of the mortgage by more than £1,000 over the two-year product term. Mr G says:

- If HSBC had told him the product fee was refundable up to completion he’d have paid the booking fee and secured the lower interest rate.
- HSBC didn’t tell him the product was withdrawn in early September 2020. If he’d been told at that time he could have looked for a better rate from a different lender.

HSBC says it refunds product fees in certain circumstances. It says it doesn’t set this out in the mortgage offer as this isn’t always the case and it’s subject to change.

Our investigator said HSBC had given Mr G unclear and inconsistent information, and didn’t tell Mr G the product had been withdrawn when he called in late September 2020. He said it should pay £300 compensation for the stress this caused. However, he said Mr G knew the

product might be withdrawn and he hadn't raised his concerns about the valuation or losing the product fee with HSBC. The investigator didn't think HSBC's errors had led to Mr G missing out on the product he wanted.

HSBC agreed to pay £300. Mr G didn't agree, saying this didn't cover the financial loss from HSBC's original error. He said HSBC hadn't provided a recording of the call when he discussed why he was delaying payment of the booking fee.

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.

Where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

Should HSBC have told Mr G the product fee was refundable?

Mr G doesn't dispute that he knew product rates change from time to time and that he needed to pay the booking fee to secure the product. Mr G says he'd have done this if he'd been told the booking fee was refundable. The product Mr G had chosen was withdrawn in early September 2020. Mr G would have needed to pay the booking fee before this to secure the rate.

HSBC provided information about when it refunds booking fees. Although often the case, it's not right to say that fees are always refundable up to drawdown.

I think it's likely that if Mr G had paid the fee in August 2020 and then decided not to go ahead due to issues with the property, HSBC would have refunded the booking fee. I can understand why Mr G is frustrated that he didn't know this. I don't think it's reasonable to expect HSBC to try to explain to each customer the circumstances in which the booking fee might be refunded – especially as its policy might change. But HSBC could have told Mr G that the booking fee was refundable in the particular circumstances Mr G says he was concerned about – if, that is, Mr G had told HSBC this.

Based on the available evidence (including recordings provided by HSBC of its calls with Mr G in June, August, September and October 2020) I don't think Mr G did tell HSBC he was worried about paying the booking fee because he wasn't sure he'd go ahead due to possible problems with the property.

The calls in June and early August 2020 were about the application and process. There was no mention of the valuation other than to ask when it would be carried out. Mr G didn't ask about the booking fee.

There were two calls on 13 August 2020. Mr G asked when the valuation would be done. He was told it had been done remotely on 4 August 2020. The valuation was lower than the purchase price. Mr G asked about challenging this, but HSBC said as the valuation was sufficient for lending purposes it wouldn't ask for a physical valuation. Mr G said he was confident about the purchase price and he was having his own survey anyway. Most of the time spent on these calls were taken up with discussions about Mr G's income and tax calculations.

When he raised his complaint with HSBC Mr G said delays were caused by HSBC's inadequate valuation process which resulted in an incorrectly low valuation. He said this

made him nervous and this was why he was reluctant to pay the booking fee. In his complaint, Mr G said a desk top valuation isn't a real valuation and this meant he had to instruct his own valuation. This isn't consistent with what Mr G said on the calls on 13 August 2020. In these calls he said he was having his own survey and he was confident about the price due to the location of the property and his own experience in the property market.

Mr G says there are other calls where he did tell HSBC why he was holding off paying the booking fee. I've checked HSBC's records and it provided recordings for all of the calls with Mr G noted in its records during this period. Mr G says there must be other calls. I haven't seen anything to suggest HSBC hasn't provided recordings for all the calls it's aware of.

Mr G said he'd applied for a buy to let mortgage a few years earlier and the product fee wasn't refunded. He said he hadn't been told there had been a major policy change since then. I don't think it's reasonable to say that HSBC had to keep Mr G updated with any policy changes.

Based on the available evidence, I don't think Mr G told HSBC before early September 2020 that he was holding off paying the booking fee due to concerns the purchase might not go ahead. I don't think I can fairly find that HSBC should have told him the fee would be refunded in those circumstances.

Should HSBC have told Mr G when it changed its range of mortgage products?

Mr G says HSBC didn't tell him it had pulled his mortgage offer. That's not quite right. HSBC didn't issue a mortgage offer until October 2020. What did happen was that HSBC changed its range of interest rate products. The product Mr G had applied for was withdrawn.

HSBC wrote to Mr G on 9 September 2020 saying he needed to pay the product fee to proceed. The letter said the interest rate/product Mr G had been interested in may not be available and he may need to select a new one.

Mr G called HSBC on 22 September 2020. Mr G said he'd received a letter in the post about paying his application booking fee and wanted to confirm the rate he was applying for was still the lowest rate HSBC offers. Mr G's call was with the underwriting team rather than the mortgage adviser and the staff member said he didn't have access to the rates available at that time. Mr G asked him to check what he'd applied for and he would then check the rates on-line. Given what Mr G said on this call, I think he was aware that the range of product rates available might have changed. He had the opportunity to look into this, as he said he intended to do.

Mr G then asked about the process and timing once the booking fee was paid – essentially, he was checking that paying the booking fee was the last step to generate the offer. The adviser confirmed this and went on to say that the fee reserves the interest rate. Until then the rate could be withdrawn and he'd have to re-apply with a new product.

HSBC ought to have been able to tell Mr G on this call that the rate he'd applied for was no longer available. But the staff member did tell Mr G he didn't have access to the current rates and Mr G said he'd check the rates online. And while it would have been better if HSBC had told Mr G the rate was no longer available, I don't think I can fairly find that Mr G would definitely have taken out a mortgage elsewhere at a better rate. Even assuming a better rate was available to him, he'd have had to start the application process with another lender and he's told us he was under time pressure from the sale and purchase chain.

Putting things right

Mr G had to choose a new product and re-submit his application in October 2020. He says he was under time pressure, and this must have been stressful. Some of this stress could have been avoided if HSBC had told Mr G earlier the product had been withdrawn. I think it's right that HSBC pays compensation. I've also taken into account that HSBC wrote to Mr G saying the product he'd been interested in might not be available, and Mr G was aware that he could check the available rates online. In the circumstances, I think £300 is fair and reasonable.

It's unfortunate that the interest rate product Mr G wanted was withdrawn. HSBC can change the products on offer at any time, and I think Mr G was aware that the product he wanted might be withdrawn. HSBC didn't have to tell Mr G it had an internal policy change since his buy to let application some years before. I don't think it's reasonable to say it should have set out the circumstances in which it would or wouldn't refund the booking fee. While Mr G says he told HSBC why he was holding off paying the booking fee the available evidence doesn't support this. I don't think HSBC made an error here that makes it fair and reasonable to require it to pay further compensation.

My final decision

My decision is that HSBC Bank UK Plc should pay £300 to Mr G.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 3 June 2022.

Ruth Stevenson
Ombudsman