

The complaint

Mr C complains that HSBC UK Bank Plc withdrew his mortgage offer without notice.

What happened

The background and circumstances of this complaint are well known to both parties, so I won't repeat them again here in detail. Instead I'll summarise the main facts that I consider to be material to the outcome and focus on giving my reasons for my decision.

In 2019 Mr C made several applications for further borrowing on his existing mortgage with HSBC. Those offers lapsed.

In July 2020 Mr C reapplied for the further borrowing to fund renovation work on his property. An application was submitted online. He was issued a mortgage illustration based on an interest rate of 1.74% fixed for five years.

The underwriting notes suggest that following the submission of documentary evidence from Mr C, more information was required. This wasn't provided and the application was withdrawn on 21 August 2020 due to lack of contact.

Mr C says a series of events caused him to believe the mortgage application had been accepted. Mr C says he received no contact from HSBC to say it required outstanding information or that the mortgage application was being withdrawn. In addition, he says HSBC granted him approval for the completion of the structural renovations in September 2020. And upon request, Mr C's solicitor was sent a mortgage offer, albeit an incorrect one dated 29 August 2019. This was for the same amount of borrowing (£150,000) on a rate of 1.64% fixed for two years.

Mr C called HSBC in November 2020 to enquire about being offered the new lower rate. He was told at that time that his recent mortgage illustration dated July 2020 had expired due to lack of contact and that he needed to reapply. Mr C did not have a current mortgage offer from HSBC as the one incorrectly provided to his solicitor had also previously expired.

The new five-year rate he applied for in November 2020 was 1.99%. Mr C complained to HSBC about the previous (lower interest rate) deal expiring without sufficient notice. The complaint was upheld in part. HSBC accepted it sent incorrect documents to Mr C's solicitor and offered £150 compensation to apologise. It didn't accept that it made an error when processing the July 2020 mortgage application, so it didn't agree to honour the lower rate.

Mr C didn't accept the response so brought his complaint to our service. During our investigation, HSBC agreed to increase its compensation offer to £300. Our investigator looked into things and explained why she thought that offer was fair and why HSBC wasn't required to do anything more in the circumstances. Mr C didn't agree and asked for the case to be decided by an ombudsman.

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've thought carefully about the submissions from both parties. I've summarised events here in my own words. No discourtesy is intended by that - this just echoes the informal service we were set up to provide. If I've not mentioned something, it's not because I've ignored it, it's because I don't think it's material to the outcome of the complaint.

- When Mr C applied for further borrowing in 2019, he was issued with several mortgage offers. A mortgage offer is only issued after a lender has conducted a full affordability assessment, property valuation and underwriting checks. As was the case here. Mr C didn't progress with the further borrowing at this time. These offers lapsed.
- In 2020, due to waiting times for mortgage advisor appointments (post nationwide lockdown on 23 March 2020), Mr C was given the option of reapplying online using an execution only service. This means without involvement or advice from HSBC.
- Mr C agreed and says he was led to believe his application would be accepted on the same terms as before. I've not been provided with call recordings from around that time, but in any event, I'm not persuaded HSBC would guarantee the outcome of a mortgage application at enquiry stage, or that Mr C didn't know the steps involved in a mortgage application. Having only applied less than a year ago.
- When Mr C started his application online in June 2020, he was issued with a *mortgage illustration* which simply summarised the details of the required loan prior to the application being considered. It's made clear at the top of the illustration that '*this document does not constitute an obligation for HSBC Bank Plc to grant you a loan*'.
- Lending is only guaranteed once a mortgage offer is issued – which wasn't the case here. Mr C says a series of events led him to believe otherwise. I'll consider each of these in turn.

Insufficient contact from HSBC to let him know it required outstanding information.

HSBC has to a degree accepted that alternative methods of communication could have been used to try and reach Mr C, but says it was ultimately Mr C's responsibility to check the progress of his application online.

When Mr C submitted his mortgage application, he received an email the same day confirming next steps. HSBC said it would be in touch once it had reached its decision. It also explained how Mr C could continue to track the progress of his application online.

Whilst in hindsight HSBC could have perhaps tried alternative ways to reach Mr C, the details relating to his application were accessible to him online. I think Mr C ought to have proactively followed up on his application, in the absence of an official lending decision or mortgage offer being issued. Especially before incurring any renovation costs. As such, I can't fairly hold HSBC entirely at fault here. In my opinion there was a lack of communication on both parts.

Confirmation from HSBC in September 2020 to say it had no objections with the proposed renovation work

In my opinion, this has little bearing on the progress of the application. When Mr C called to make the enquiry, he asked if the proposed plan had any impact on the mortgage he already held. There was no mention of his further borrowing application and the response provided to him was again on general terms. So, I'm not persuaded this confirmation implied that Mr C's further borrowing application had been approved.

An offer was issued to his solicitor upon request albeit the wrong one from 2019.

It appears this offer was received by Mr C's solicitor around October/November time. Which based on what Mr C's said appears to be after renovation work had commenced already. So, I can't fairly say reliance on this document led to Mr C commencing works. In any event, given the importance of a mortgage offer document in the application process, I think Mr C and his solicitor would've read this and seen that an expired offer has been issued in error before placing any reliance on it.

- HSBC has, to an extent accepted, that it could have provided a better service to Mr C and it has offered £300 compensation to acknowledge that. But when considering all of the above, I've not seen enough to suggest Mr C was mis-led into thinking his application had been approved. As such I can't fairly hold HSBC responsible for any loss suffered by Mr C when proceeding with the renovation work in the absence of a mortgage offer. Mr C says he sold an overseas property at a reduced price for a quick sale to fund the renovation work himself. For the reasons I've explained I can't reasonably hold HSBC responsible for any potential loss suffered.
- It's also worth mentioning that it's unlikely this application would have been accepted in any event. I say this because when Mr C resubmitted his application in November 2020, at valuation stage, HSBC requested an External Wall System (EWS1) certificate as recommended by its surveyor. Mr C says his building management company hadn't carried out the assessment yet, so he was unable to provide this. As such, he didn't proceed with the application.
- If the July 2020 application had reached valuation stage, it's likely the same would be required and as such lending would likely be refused in any event. Mr C questions why this wasn't requested during the 2019 valuations. I can confirm this form only came into use around December 2019. So, at the time the earlier offers were issued, this wasn't a requirement.

Putting things right

So, when considering everything I've not seen enough to fairly say Mr C was mis-led into thinking his mortgage application in June 2020 had been accepted and an offer made. It appears Mr C assumed that to be the case which led him to start the renovation work on his property. HSBC has offered £300 compensation to acknowledge its communication failings which I think is fair and reasonable in the circumstances. In any event I've explained why better communication from HSBC would have made little difference to the outcome of Mr C's application.

My final decision

My final decision is that I uphold this complaint and direct HSBC UK Bank Plc to pay Mr C £300 compensation, if it hasn't already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 12 September 2022.

Arazu Eid
Ombudsman