

The complaint

Ms D and Mr K complain that HSBC UK Bank Plc didn't offer them suitable support when they experienced financial difficulties. Mr K has dealt with the complaint throughout. Mr K asks for a temporary period of interest only payments without any adverse effect on his credit file while they sell the property. He's unhappy with the time he's spent dealing with HSBC and asks that it covers his costs of about £4,500 (for lost work and borrowing to cover his outgoings) and pays compensation of £3,000 for the effect this had on him.

What happened

Mr K and Ms D had a joint mortgage with HSBC. Mr K contacted HSBC for support in October 2021 as he was in financial difficulty. Mr K and Ms D had separated and Mr K was living in rented accommodation. This increased their outgoings. Mr K wasn't happy with the options offered by HSBC. He's also unhappy with the call wait times, having to speak to multiple different people and HSBC not calling him when it said it would. Mr K says his unsecured debt is increasing as he's borrowing to cover his outgoings.

Mr K says HSBC:

- has a complaints process that isn't fit for purpose. He says it failed to understand his complaint is that it has put in place unreasonable barriers and unfair policies to dismiss the prospect of genuine assistance.
- failed to offer him any reasonable assistance. He said the options it offered were generic and would have affected his credit file, and potentially his work and future borrowing. He says it sought to abdicate responsibility by suggesting he seek independent financial advice.
- refused to extend his mortgage term on the basis this was unaffordable, even though payments would be lower than currently and he could have applied for a longer term originally.
- has an interest only lending policy that only top earners can meet and is unnecessarily restrictive.

Our investigator said HSBC had to consider affordability before agreeing changes to mortgages, such as extending the term or payment basis. It offered forbearance measures and didn't treat Mr K and Ms D unfairly. Our investigator said HSBC had apologised for the call wait times.

Mr K didn't agree. He particularly wanted me to look into HSBC's refusal to extend the term on the basis this was unaffordable, even though payments would be lower than currently and he could have applied for a longer term originally. Mr K says this is a breach of mortgage regulations and will force him into financial difficulties. Mr K said they are selling the property, and hope the sale will complete in the near future.

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.

Rules of mortgage regulation require lenders to treat borrowers facing financial difficulty fairly, to try and ensure the mortgage can be paid and to ensure repossession is a last resort. The rules require lenders to consider what forbearance options are appropriate in the circumstances of the individual customer. This includes considering whether it's appropriate to extend the mortgage term or change the payment type.

Mr K told HSBC he was in financial difficulty due to a change in his circumstances which increased his outgoings. He provided income and expenditure information to HSBC. Mr K didn't say he expected his financial circumstances to improve so that mortgage payments would become affordable again. Mr K and Ms D intend to sell the property. At different times in late 2021 Mr K told HSBC they intended to sell the property next year, in two to three years or in future years. Mr K needed support until the property was sold.

HSBC offered a payment arrangement that it assessed as affordable based on the information Mr K provided. Mr K said he wanted to pay more, to cover the interest each month so that the debt didn't increase. A temporary interest only concession and a payment arrangement amount to much the same thing. In either case, HSBC agrees to collect less than the full monthly payment for a few months to give a customer breathing space. This gives them time to get things back on track, if possible, take advice about their options or in this case look into selling the property.

Mr K declined the options offered by HSBC as he didn't want an arrangement that would be recorded on his credit file. Mr K wanted to change the mortgage onto interest only terms and/or extend the term. Mr K was aware that he didn't meet HSBC's criteria for an interest only mortgage or term extension. He wanted HSBC's financial support team to agree the changes as a concession, on the basis he was a mortgage prisoner.

This brings me to what Mr K says his complaint is about: that HSBC has put in place unreasonable barriers and unfair policies to dismiss the prospect of genuine assistance.

The regulator of financial services, the Financial Conduct Authority (FCA) sets out rules for lenders that it expects them to abide by. The rules can be found in the FCA's Handbook, available online, in the chapter headed MCOB. One of the rules says that where a lender is considering granting a new mortgage application, or considering varying an existing mortgage (for example, extending the term or changing the payment method), it must do an affordability assessment, to determine ability to repay the mortgage. There are particular rules on offering interest only mortgages.

Lenders have different priorities when taking on (or renewing) mortgage business. Different lenders can legitimately have different views about their risk appetites. The FCA requires firms to have, and apply, lending policies.

Mr K says the changes he wanted would reduce his monthly payments and this makes, he thinks, HSBC's decision illogical. But the rules require a mortgage to be affordable, and this one wasn't even with the changes Mr K wanted. Mr K also said they could have originally taken out the mortgage with a longer term (when their income was higher and their expenditure lower). However, the rules require that when varying the mortgage, affordability is assessed against current income.

Mr K and Ms D didn't meet HSBC's criteria for the changes to the mortgage that Mr K

wanted. Their circumstances had changed, and Mr K was in a difficult position. I appreciate his concern that his employment and ability to borrow could be affected if an underpayment arrangement was recorded on his credit file.

HSBC said it couldn't extend the term of Mr K and Ms D's mortgage because the monthly payments, while lower, would still be unaffordable. It didn't consider this was an appropriate way to offer support. Mr K and Ms D didn't meet HSBC's income criteria for an interest only mortgage. I don't know if HSBC would have assessed Mr K's proposed repayment strategy (sale of the house Ms D and their children were living in) as a credible repayment strategy.

HSBC did offer support to Mr K. It offered an underpayment arrangement. I think it was fair for HSBC to say an underpayment arrangement would be recorded on Mr K's credit file (and of course Ms D's credit file). This would be an accurate reflection of the mortgage account.

I appreciate that Mr K is knowledgeable about mortgages. I don't think it was unfair for HSBC to suggest he seek independent financial advice. It was for Mr K to decide if this was something he wanted to do. And I think HSBC did explain the available options. They just weren't the options Mr K was hoping for.

HSBC acknowledged and apologised for long call wait times. Mr K had to complete income and expenditure information and discuss his options with HSBC. While I can appreciate this was time consuming, I think this was necessary for HSBC to consider what support it could offer. Mr K was entitled to ask HSBC to consider other options, and to raise a complaint. I don't think I can fairly require HSBC to pay compensation for the time he spent doing this.

Lastly, Mr K complains about how HSBC dealt with his complaint. Complaint handling isn't a regulated activity, so it isn't something we can necessarily look into. While I can look into the way a complaint was dealt with if it affected the resolution of the underlying problem, I don't think that was the case here. HSBC had, before Mr K made his complaint, offered support with his financial difficulties, as rules on mortgage regulation require it to do.

I'm sorry about the difficult circumstances Mr K and Ms D were dealing with, and that HSBC didn't offer support in the form Mr K would have preferred. But overall I don't think it treated Mr K and Ms D unfairly.

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 Ms D and Mr K to accept or reject my decision before 3 November 2022.

Ruth Stevenson
Ombudsman