DRN-3971453

The complaint

Mr U is unhappy with how HSBC UK Bank Plc ("HSBC") handled his request to port his mortgage and apply for a new fixed rate.

What happened

Mr U held a two-year fixed rate repayment mortgage with HSBC. It had an interest rate of 1.89% which was due to end on 31 May 2020. Mr U intended to move to a new home, so he contacted HSBC and spoke to a mortgage adviser in February 2020. As a result of this conversation, an application was submitted for a new mortgage with a £20,000 top up. This was a two-year fixed rate product with an interest rate of 1.54%. Mr U's application was approved and accepted shortly after.

Mr U approached HSBC again in May 2020 to discuss securing a new fixed rate on his existing mortgage because it was due to mature. At this point, he wasn't sure when his new property purchase would go ahead, and he didn't want to stay on a standard variable rate in the meantime, which was one of his concerns when he spoke to the mortgage adviser. Mr U says he was told he could apply for a new rate and then port his mortgage to the new property when the time came. Mr U submitted an application for a new five-year fixed rate product with an interest rate of 1.59%. Shortly after, he also applied for a £20,000 loan to make up the difference.

Mr U was concerned how things were progressing and spoke to HSBC a number of times to try and make sure the correct applications were going to go through. Mr U says the whole thing was very stressful as there was a risk his move would have been delayed if he didn't go ahead, but having spent a lot of time on the phone to HSBC trying to sort it out, it was agreed he would be on the five-year fixed rate and any early repayment fee ("ERC") would be waived.

Mr U's property purchase completed on 19 June 2020. Mr U then found out that he was being charged an ERC of £6,109.23. Mr U complained at the time that he was told he wouldn't have to pay an ERC. HSBC looked into this and agreed to refund the ERC. At this point, Mr U says he thought everything had been corrected and that he was on the five-year fixed rate. But, in 2022, Mr U received a letter advising him that his two-year fixed rate was coming to an end. Mr U realised he was on the two-year fixed rate he had applied for in February 2020 rather than the five-year fixed rate he decided to proceed with in May 2020.

HSBC looked into Mr U's complaint about this and confirmed it had done the right thing by refunding the ERC, but that Mr U's five-year fixed rate wouldn't have gone through in time to exchange and Mr U's solicitors had submitted the certificate of title with the details of the two-year fixed rate mortgage. HSBC awarded Mr U £400 for the distress and inconvenience caused, but it wasn't prepared to amend the rate he was on.

Mr U says he's still unhappy with HSBC's resolution as he thinks he should be on the five-year fixed rate and is financially worse off because of the misinformation he received from HSBC over the phone. Mr U says the next product he can apply for is a three-year fixed rate which is more expensive than the five-year fixed rate he thought he had.

Our investigator looked into Mr U's concerns, but they didn't think HSBC needed to do anything more. As Mr U disagreed, the complaint was passed to me to decide. I issued a provisional decision on 20 January 2023. Here's an extract of what I said:

"Mr U had an appointment with an HSBC mortgage adviser on 26 February 2020. During the appointment, Mr U explained that he wanted to apply for a new rate to be in place when his existing mortgage product expired in May 2020, but that he was in the process of purchasing a new property which he expected to complete around the same time. The adviser's notes say Mr U wanted a fixed rate for security and noted that Mr U felt the rates would rise soon. Following this, a mortgage offer for the two-year fixed rate was issued on 27 February 2020. And I understand Mr U accepted the offer soon after.

Then, in May 2020, Mr U called HSBC and explained he was concerned the property purchase may not go through when planned because the seller was abroad in South America. At the time, the coronavirus, Covid-19, pandemic ("the pandemic") had restricted travel to and from most countries, and it was unclear how long it would take the seller to get back to the United Kingdom in order to complete. Mr U explained he was wondering whether to go ahead with his application for the two-year fixed rate, or cancel it, bearing in mind his existing rate was due to expire. Mr U was told he could go ahead and submit alternative applications online himself, apply for a new rate on his existing mortgage and then port that rate instead of taking a new mortgage for the full amount. The mortgage adviser was asked to call him to discuss what action would be best.

Mr U went along with the information he was given in the call and submitted an application to change the interest rate on his current mortgage. A new offer was produced for another two-year fixed rate with a lower interest rate later the same day. There is then a record on 27 May 2020 of Mr U asking HSBC to confirm what his contractual monthly payments ("CMPs") would be if he moved onto a standard variable rate. HSBC provided this information to him. Mr U was also told there were new, more preferential, rates available since his previous application. A contact note was recorded on 28 May 2020 which says Mr U had found a new rate he wanted to port from his existing mortgage instead of using the new mortgage offer he had already arranged with the mortgage adviser.

Mr U still hadn't heard from his mortgage adviser, so he made further phone calls to HSBC wanting to know his options. Following the discussions, Mr U completed another online application himself on 31 May 2020 for a five-year fixed rate of interest of 1.59% and this rate was applied to his existing mortgage soon after. On 6 June 2020, Mr U submitted another application for the additional £20,000 he required to purchase the new property if he ported his existing mortgage.

On, 8 June 2020, 11 days after the mortgage adviser was asked to contact Mr U, Mr U got a response from a different mortgage adviser. They explained the previous mortgage adviser was unavailable and offered to speak to Mr U later that week. Mr U explained that he had applied online in the end after calling the mortgage number for support. Mr U went back to the mortgage adviser on 12 June 2020 to say he thought something was wrong as his new application was still with underwriters. From what I can see, Mr U didn't receive a response but was under pressure as his property purchase was finally going through. So, Mr U continued to phone HSBC a number of times in the days following.

Mr U still wasn't sure whether to cancel the original application or not as he didn't want to be left in a situation where his purchase wouldn't go through. On 16 June 2020, Mr U's solicitors sent the certificate of title requesting the mortgage advance on 19 June 2020 and the reference provided was for the new mortgage application completed in February 2020. In the meantime, Mr U continued contacting HSBC trying to explain the wrong application was being progressed.

Finally, on 17 June 2020 Mr U spoke to someone in customer services who involved a manager. I've listened to the call and it was clear Mr U had wanted to proceed with the five-year fixed rate on his existing mortgage, porting it to the new property and a new loan of £20,000 to top it up. After a lengthy discussion involving a number of HSBC staff, Mr U was asked if he was happy to let the original mortgage application go ahead on the basis that afterwards, HSBC would retrospectively change it to the five-year fixed rate.

Having listened to the internal conversation between the representative and the manager, it appears to have been too complicated to have retrospectively ported his existing mortgage and sorted out an additional £20,000 loan. So, the manager decided they would just change the product rate on the new 19-year mortgage to the five-year fixed rate. Mr U was also told the ERC would not be charged. This was all very clearly discussed in the call recording provided and it's also reflected in the call notes HSBC has provided. So, on this basis, Mr U agreed to let the mortgage go ahead and the exchange went through on 19 June 2020.

When the exchange went through, Mr U was charged an ERC of £6,109.23 for ending the five-year fixed rate product early. Mr U complained as he was promised this would be waived. After an investigation, HSBC agreed to refund the ERC. And as far as Mr U was concerned, the matter was resolved.

It wasn't until Mr U got a letter saying that his two-year fixed rate was coming to an end that he became concerned again. Mr U complained to HSBC that he understood he was on the five-year fixed rate, not the two-year. HSBC didn't agree. It said the application that went ahead was the two-year fixed rate he applied for in February 2020, his five-year rate was never ported. And, as Mr U didn't make his solicitor aware his plans had changed, they proceeded with the original mortgage offer. HSBC didn't think it was responsible for this but felt it had been fair in refunding the ERC at the time.

I've thought about this carefully, and it's clear there was a last-minute change on Mr U's part. But I don't think this is surprising considering the impact of the pandemic. Mr U appears to have kept HSBC up to date at all times. And having listened to the calls that took place from May 2020 through to June 2020, Mr U repeatedly said to HSBC that he didn't know whether to cancel the February 2020 application or not and it was clear he really needed to speak to a mortgage adviser again. But I think Mr U was left with the impression he had time to sort everything out prior to the exchange going ahead and that it would be possible for him to do this himself.

I think Mr U relied on what he was told across several phone calls with HSBC. And as his mortgage adviser, or any other mortgage adviser, hadn't got back to him for several days, he tried to resolve the problem himself. Mr U was led to believe this would be fairly easy to do. Then, when it was apparent there was a problem, HSBC didn't seem to get to grips with what was going on until the conversation Mr U had with it on 17 June 2020.

During that call, the representative and manager involved suggested Mr U's new applications could have been progressed in time had a mortgage adviser got back to Mr U when he asked them to. And failing that, if HSBC had investigated the problem properly during one of his many other calls, this situation could have been avoided. This is why they offered to change the rate after the exchange went through. And Mr U verbally agreed to let the exchange go ahead on this basis. So, considering everything, I think HSBC should honour that now.

I understand HSBC has already refunded the ERC and offered £400 to say sorry for the amount of time it took to get to the bottom of what happened. I'm satisfied that was fair for those parts of Mr U's complaint, but I think HSBC still needs to do more and I've set out my thoughts on this below."

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 still think Mr U's complaint should be upheld in line with the findings of my provisional decision. I'll explain why.

HSBC accepted my findings and provided no further comments.

Mr U also accepted my findings, but he wanted me to consider increasing the compensation HSBC offered for the distress and inconvenience caused. Mr U feels this would be appropriate considering he's had to put a lot of time and effort into getting things resolved which has caused him additional stress since the offer was originally made.

I've thought about Mr U's request carefully, but I don't think it would be right to ask HSBC to pay any further compensation. While I think HSBC should put Mr U's account into the position it agreed it would over the phone on 17 June 2020, Mr U did make a last-minute decision to change plans and I have to bear that in mind too.

It may not have been possible for Mr U to have ported the new rate and got his top up loan approved in time. So, the correction agreed in the call on 17 June 2020 was really offered in good will at the time. And as a result of this, Mr U avoided paying a standard variable rate on his pre-existing mortgage and also avoided the ERC on the new mortgage product.

The compensation was higher than what I would have recommended at the time the events occurred. So, considering everything, I think £400 is still appropriate to acknowledge the things that could have gone better, and I think the main issue should be updating Mr U's account to reflect was agreed in the call, which HSBC has accepted.

So, for the same reasons as I explained in my provisional decision, I think HSBC should put things right as set out below.

Putting things right

HSBC UK Bank Plc should:

A. Correct Mr U's mortgage as though he went onto the five-year fixed rate at 1.59% with a 19-year term, instead of the two-year.

B. Work out whether Mr U has overpaid or underpaid to date, bearing in mind he would have underpaid while on the lower two-year fixed rate, but overpaid since his two-year fixed rate expired in 2022. Once HSBC has worked this out it should;

C. Ask Mr U whether he would like any additional sum he's paid to reduce his outstanding mortgage balance and reduce his CMPs or be credited back to him, If Mr U has overpaid overall, or;

D. If Mr U has underpaid overall, this should form part of his total outstanding mortgage balance and be factored into his CMPs going forward.

E. After all adjustments have been made, HSBC should confirm to Mr U what his new CMPs will be going forward, as well as the outstanding mortgage balance after the adjustments have been made.

My final decision

For the reasons explained above, I uphold Mr U's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr U to accept or reject my decision before 16 March 2023.

Hanna Johnson
Ombudsman