

The complaint

Miss F's complaint is about a mortgage she applied for with HSBC UK Bank Plc trading as first direct (and referred to here as HSBC). Ms F says that HSBC gave her incorrect information about the date her mortgage offer would expire. To settle the complaint Ms F wants HSBC to honour the interest rate of 2.14% she had originally applied for.

What happened

I will summarise the complaint in less detail than it's been presented. There are several reasons for this. First of all, the history of the matter is set out in detail in correspondence, so there is no need for me to repeat the details here. I will instead concentrate on giving the reasons for my decision. In addition, our decisions are published, so it's important I don't include any information that might lead to Miss F being identified. So for these reasons, I will keep my summary of what happened quite brief.

In summary, Miss F applied for a mortgage of £300,000 with HSBC on 28 April 2022, at a rate of 2.14%. She was told the rate was booked in for six months from then – so until 28 October 2022.

On 14 June 2022, before any underwriting or valuation had been carried out, Miss F changed her mind about going ahead with that property and found a second property she wanted to buy, but needed more money. Miss F applied for an additional £48,000 at a fixed rate of 2.54%, in addition to the £300,000 she'd already applied for.

On 29 July 2022 HSBC issued another mortgage offer, for this second property. The mortgage illustration accompanying the offer said *"the information below remains valid until 29th January 2023. After that date, it may change in line with market conditions."* The offer showed the mortgage in two parts - £300,000 at 2.14% on a five-year fixed rate and £48,000 on a five-year fixed rate of 2.54%.

On 12 October 2022 Miss F spoke to HSBC. She was concerned about how long the purchase was taking and was intending to withdraw from that transaction and find another property. Miss F was told – incorrectly – that that her entire mortgage offer was valid until 29 January 2023. However, the £300,000 on the fixed rate of 2.14% was in fact due to expire on 28 October 2022.

On 28 October 2022 Miss F was told that her mortgage offer for the 2.14% had expired. By this point Miss F wasn't going ahead with the second property and had found a third property she wanted to buy.

Miss F was told that as long as the new mortgage completed before 27 January 2023, £48,000 would be at 2.54%, but for the remainder, Miss F would need to choose a new product. (Here I note that the reference to 27 January 2023 is incorrect, as the six-month period for the £48,000 actually expired on 29 January 2023.)

Miss F was very unhappy about this, and complained. Because she wanted to go ahead with her purchase, Miss F booked another five-year fixed rate at 5.34%, but had reduced her

borrowing to a total of £188,000, of which £48,000 was on the 2.54% fixed rate that was valid until 29 January 2023.

HSBC acknowledged that it had made a mistake when Miss F was told in October 2022 that both rates were valid until January 2023. HSBC said that, if Miss F had been told at the earliest opportunity – 12 October 2022 – that the £300,000 fixed rate was due to expire on 28 October 2022 she would have been able to have chosen a lower rate, with the best available rate on that date being 4.94%. By the time Miss F was given the correct information, the lowest rate was 5.34%.

HSBC said it would offer Miss F the £140,000 she needed for her new purchase at 4.94% (in addition to the £48,000 at 2.54%), and pay compensation of £100. Our investigator thought the offer to reinstate the next best rate was fair and reasonable, but Miss F didn't agree. She wanted HSBC to honour the 2.14% rate for the £140,000. The investigator also thought HSBC should pay compensation of £200, which the bank agreed to, but which Miss F did not accept.

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'm satisfied that when Miss F booked the 2.14% rate in April 2022 she was told it was valid for six months. So I'm not persuaded that HSBC failed to tell Miss F that the rate would only be valid until October 2022. I think the offer issued in July 2022 didn't make this clear, however, and after reading the offer I completely understand why Miss F believed both rates would be valid until January 2023.

HSBC has acknowledged it made a mistake on 12 October 2022 when Miss F was told, incorrectly, that the 2.14% rate was valid until January 2023. Where a mistake has been made, I have to try, wherever possible, to put the consumer back in the position they'd have been in had the mistake not been made.

If the mistake hadn't been made, Miss F would have been told on 12 October 2022 that the 2.14% rate was about to expire and she'd need to apply for a new rate for the mortgage on the third property (less the £48,000 at 2.54%, which was still valid until January 2023).

I've noted what Miss F has said – that she hadn't needed to start the application afresh when she decided not to go ahead with the first property in June 2022. It doesn't appear that the first application had progressed to underwriting or valuation stage, and so substituting a new address was possible at that early stage. However, once a mortgage offer has been issued, if there is a change of property, this requires a fresh application, because the bank has to ensure that the property fits its criteria and is suitable security for a mortgage.

Miss F also said that if she'd been told this, she'd have gone ahead with the purchase of the second property. However, the evidence does not persuade me that Miss F would have been able to complete the purchase before the 2.14% rate expired on 28 October 2022.

I think that if Miss F hadn't decided to go ahead with a new property (and, as a result, would not have needed to call HSBC in October 2022 about the mortgage) but simply proceeded with the purchase of the second property, completing before 29 January 2023, I would have expected HSBC to have honoured the 2.14% rate. That's because of the ambiguity in the July 2022 mortgage offer.

I can't tell HSBC what information it should put in its mortgage offers. But I think that if there are two separate interest rate products which are due to expire at different times, the bank should make this clear in the documentation. Where, as in this case, the documentation contradicts what the borrower was told several months earlier, I would not have expected a lay person to think that they could not rely on what the documentation says.

However, because Miss F had decided not to go ahead with the purchase of the second property and spoke to HSBC the situation changed and a new mortgage application was needed for the third property. In the circumstances, the bank needs to put right the mistake it made on 12 October 2022, when Miss F should have been advised of the need to apply for a new interest rate for the £140,000 mortgage on the third property.

Putting things right

To put things right HSBC should re-arrange £140,000 of Miss F's borrowing on the lowest five-year fixed rate available on 12 October 2022 – 4.94% and back-date it to the date of completion of the mortgage. Any overpayments Miss F has made can either be refunded to her or used in reduction of the capital balance, without it counting towards any annual overpayment allowance that might generate an early repayment charge – Miss F should tell HSBC which option she prefers. HSBC should also pay Miss F compensation of £200 for distress and inconvenience.

My final decision

My final decision is that I uphold this complaint. I direct HSBC UK Bank Plc trading as first direct to settle the complaint as set out above.

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 Miss F to accept or reject my decision before 30 October 2023.

Jan O'Leary
Ombudsman