

The complaint

Mr and Mrs M complain that HSBC UK Bank Plc offered them a mortgage, but when they asked for a little more lending, said it would no longer lend to them at all. They say they're paying much more on the mortgage they got elsewhere, as mortgage rates rose in this time.

What happened

The facts of this case were set out in full in my provisional decision, so I shall simply summarise below. And, as most of our dealings have been with Mr M whilst handling this complaint, I'll mainly refer to it being his complaint throughout this decision, although it's actually a complaint on behalf of both Mr and Mrs M as joint mortgage applicants.

Mr and Mrs M applied for a mortgage with HSBC. Mr M submitted the application.

Mr M told us about the sources of Mrs M's income. Some of this income could, arguably, be said to fall into a category which HSBC disregards for lending purposes. Mr M said that he'd discussed this with HSBC before applying, and been directed on how to declare Mrs M's income. He and Mrs M then received a mortgage offer from HSBC.

Mr M and Mrs M then decided they wanted to borrow a little more, and also needed to amend part of their previous application. So they applied again, and were then told that HSBC wouldn't lend to them at all.

Mr M said this was entirely contrary to what he'd been told at the outset. And he said because of all the time this took to resolve, when he and Mrs M got a different mortgage elsewhere, they were paying more each month. Mortgage rates had since risen.

HSBC denied that Mr M had been directed to declare Mrs M's income in this particular way. It accepted it had made a mistake in making the first offer to Mr and Mrs M, but it said that it wouldn't honour that offer now. It thought Mr M knew, or ought to have known, that the first application was outside of HSBC's lending policy before he applied.

HSBC offered to pay Mr and Mrs M £300 in compensation for its mistake in making the first offer, but it wouldn't pay the additional costs that Mr M said he and Mrs M were incurring on the mortgage they eventually got elsewhere.

Our investigator didn't think this complaint should be upheld. She said that it was fair for HSBC to decline the second application, and it had made a mistake in making an offer in response to the first application. But she didn't think it had taken an unreasonable time to reach its decision. She said she couldn't tell what rate Mr and Mrs M might have got, if HSBC had said "no" sooner. And she said it wasn't HSBC's fault that interest rates went up in this time. She didn't ask HSBC to pay more than the £300 it had offered.

Mr M disagreed. He said he had double checked that what he was doing was correct, before applying. But now he and Mrs M were paying thousands a year more in interest because of HSBC's mistake. He said £300 couldn't possibly be adequate compensation for that. Mr M

wanted this complaint to be considered by an ombudsman, so it was passed to me for a final decision. And I then reached my provisional decision on this case.

My provisional decision

I issued a provisional decision on this complaint and explained why I didn't think HSBC had to pay more than it had already offered. The below summarises what I said then:

I was satisfied that HSBC's policy on income for mortgage lending purposes did set out that some income types would be disregarded, and that this is a commercial decision it was entitled to take.

HSBC declined Mr and Mrs M's second mortgage application because, by then, it understood that some of Mrs M's income fell into a category it disregards. I think that was a reasonable decision for HSBC to have reached, in line with its published policy. And I don't think it was obliged to lend outside of its lending criteria solely because it had mistakenly issued an offer originally.

However, Mr and Mrs M had already received a mortgage offer from HSBC. And when it refused the second application, it also decided not to honour the first offer. I'd set out that I thought HSBC was entitled to decline the second application. So, I then turned to the question of whether HSBC was entitled to withdraw the original mortgage offer.

HSBC's position on this appeared to be that it considered Mr M withdrew the first application, when he made his second application. I hadn't been able to see that it would have been clear to Mr M that submitting a second application would invalidate the first offer. Nor that Mr and Mrs M technically withdrew or cancelled the initial application. So, I thought about whether HSBC was entitled to withdraw the first application.

I understood there was a dispute about whether Mr M was directed to declare Mrs M's income in a particular way. I set that aside, and looked at the conditions applicable to the first offer HSBC made. And I explained that I considered there were inaccuracies in the first application, which meant, under the conditions of the first mortgage offer, HSBC could reasonably have withdrawn that offer. I said that meant I couldn't fairly and reasonably require HSBC to honour the first mortgage offer it made, or to compensate Mr and Mrs M for the additional costs that they now say they face, because they later had to make a different mortgage application elsewhere.

Like our investigator, I thought the offer HSBC made, of £300 in compensation for incorrectly issuing a mortgage offer, did provide a fair and reasonable outcome in the very specific circumstances of this case. I knew Mr and Mrs M would be disappointed, but I didn't think HSBC had to pay them more than that.

I invited the parties to make any final points, if they wanted, before issuing my final decision.

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.

Both sides have replied to my provisional decision, but neither side has offered any further evidence or argument in this case. Mr M said he and Mrs M accepted the decision, and HSBC simply said it would pay the amount it had previously offered.

Having reconsidered the issues in this case, I haven't changed my mind. I'll now make the decision I originally proposed.

My final decision

My final decision is that HSBC UK Bank Plc must pay Mr and Mrs M the sum of £300 which it previously offered as compensation for this complaint, if it has not already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M and Mrs M to accept or reject my decision before 19 May 2023.

Esther Absalom-Gough
Ombudsman