

## **The complaint**

Mr and Mrs V complain about what happened when they asked to remortgage two buy to let (“BTL”) properties with HSBC UK Bank Plc.

## **What happened**

Mr and Mrs V own two BTL properties. One of these (which I’ll refer to here as “the flat”) was already mortgaged with HSBC, and the other (which I’ll refer to as “the house”) wasn’t. Their complaint is about what happened when they tried to remortgage the properties with HSBC.

Whilst this complaint is brought by both Mr and Mrs V, as the relevant mortgages are in both their names, our dealings have been with Mr V. So I’ll mainly refer to him in this decision.

Mr V applied to remortgage the house with HSBC in early February 2022. He made more than one application for this property, and lending on this was eventually refused. Mr V complains that HSBC didn’t tell him how to apply if he wanted to secure a particular interest rate, and says he doesn’t understand why the lending was turned down. Mr V also complained about delays in his application to remortgage the flat. Finally Mr V said that through both applications, it was difficult to contact HSBC, and when he tried to ask HSBC what it wanted him to do, it just couldn’t help him. He also thought both properties had been undervalued by HSBC.

HSBC has issued four final response letters on Mr V’s complaints. It has also accepted that our service can consider the issues raised in all of these letters.

On 1 April 2022, HSBC set out the stages of Mr V’s first application for the house. It said that Mr V hadn’t secured a rate, documentation was outstanding, and he had withdrawn this application once he realised that rates had risen. HSBC said it wouldn’t honour the rate that Mr V heard about when he first talked to HSBC about a remortgage, in early February. Mr V said he wasn’t told he could complete an application online, which would reserve a rate, but HSBC said it had offered Mr V the choice of an online application or advice over the phone, and he’d chosen phone advice. So it didn’t think it had done anything wrong.

On 28 April, HSBC said Mr V’s application for the house had been declined. It said it couldn’t share with him detailed information about why it had reached this decision. This letter noted Mr V had then submitted a new application, and it was still waiting for some documentation for that. It said Mr V had actually made multiple online applications for the same property, and it suggested Mr V should delete any applications he no longer wanted to continue with.

On 29 July, HSBC said it was sorry it hadn’t replied to emails and phone contact from Mr V after he was told that his application for a mortgage on the house had been refused. And HSBC accepted it had caused a delay in providing an offer for Mr V’s flat. The offer was ready on 6 June 2022 but wasn’t generated until 28 June 2022. HSBC said it understood Mr V had paid more on his old mortgage because of that, so it offered him £200 to apologise.

On 13 September, HSBC said it now had two mortgages live on its system for Mr V (the second of these mortgages is presumably for Mr and Mrs V’s home, which they were

remortgaging at the same time). HSBC apologised for sending Mr V a letter telling him that his mortgage offer had expired, although it had in fact completed.

Our investigator didn't think this complaint should be upheld. He thought HSBC had dealt with Mr V's complaint fairly.

Our investigator thought HSBC told Mr V at his mortgage advice appointment for the house that until a full application is completed, rates aren't agreed. And Mr V's first application for the house wasn't completed, it was withdrawn after two rate rises. Our investigator said HSBC did offer Mr V either an online or advised application, and an online application still wouldn't have secured rates, as those weren't secured until the full application was done, and an offer made.

Our investigator said Mr V then applied online for a mortgage for the house. Multiple online applications were done by Mr V, which seems to have caused problems at HSBC. On 30 March, Mr V was told this application had been refused. Mr V contacted HSBC to discuss this, and it didn't get back in touch. Mr V supplied further information, but he received a further letter declining his application on 3 May 2022.

Our investigator said it's for the bank to decide who to lend to, and it doesn't have to provide full reasons for the decision it makes. Our investigator said he'd checked the review process HSBC had done, and thought it had been fair and reasonable.

Our investigator noted that Mr V also experienced delays in his application for the flat. Mr V said he'd expected the valuation to be much higher, and thought the low figure was because of the surveyors' links with HSBC. Our investigator said he didn't think HSBC had provided a formal reply on the lack of any appeal against valuations, but he said that he could see HSBC had instructed professional valuers, and it was entitled to rely on the report that such a professional produced. Our service can't look at what the valuer did.

Our investigator said that Mr V had continued to discuss his application for the flat with HSBC, and he did then get the requested borrowing for this property. There were system issues which prevented the offer document being produced, perhaps as a result of the number of applications Mr V had opened. Our investigator said there were seven open at one point, and this seemed to have caused confusion, including over how many BTL properties Mr V owned.

The issue was logged with HSBC's IT department and the mortgage offer document was produced on 28 June 2022 for the flat. HSBC accepted there was a 22-day delay from 6 to 28 June 2022 in generating the mortgage offer due to an IT system error.

HSBC also accepted it mistakenly told Mr V his mortgage offer had expired, when it had completed. Our investigator thought an apology for this was enough to put things right.

Our investigator noted HSBC had offered £200 for delays in making the offer for the flat, and £100 for difficulties in the application for the house, so £300 in total. He thought that offer was fair. He didn't think HSBC had to honour the original interest rate. He didn't think it had done anything wrong in cancelling Mr V's initial phone application for the house, or then declining the online application for the house, when the underwriters decided this didn't meet lending criteria. So our investigator didn't think HSBC had to pay more than it had offered.

Mr V didn't agree. He still thought HSBC should have told him he could obtain a DIP by applying online, which he wouldn't get through taking a phone appointment with advice. He said he'd been told that a DIP would have secured a rate for 30 days. Mr V continued to say that the process after the application was confusing, and he'd never been told why his

application for the house was actually declined. He said he couldn't understand why the application for the flat was successful, but the one for the house wasn't. He repeated that communications from HSBC were confusing, and it couldn't help when he got in touch.

Our investigator didn't change his mind. He still didn't think a DIP would have secured an interest rate, and he said that each property application is assessed individually, including factors relating to the property itself, so decisions can differ.

Because no agreement was reached, this case then came 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 only proposed to uphold it in part. This is what I said then:

#### *Advice on the different application methods*

Mr V said on his first application, for the house, he was never told that if he applied online he would receive a decision in principle ("DIP"), which would secure a rate before the full application was done, but if he applied through a mortgage advisor, then no rate would be secured for him until his full application was completed.

Our advisor thought that the rate wouldn't have been secured until an offer was made, however Mr V applied. But I don't think that's quite right.

Lenders are, broadly speaking, obliged to honour the rate set out in a mortgage offer, if that mortgage goes ahead. They aren't obliged to honour the rate set out in any earlier documentation, including the DIP. But some lenders do honour the rate set out in a DIP.

HSBC said this when it considered Mr V's complaint -

*"process is different in that docs need to be seen by MA (mortgage advisor) before application whereas online rate can be selected before docs"*

So that does make me think that if Mr V had applied online, he'd have received a DIP, which would have reserved a rate for him.

However, Mr V has only ever suggested that this would have secured a rate for 30 days. We know he didn't supply all the documents HSBC needed during this time. So I think that the result would still have been the same if Mr V had applied online. He would still have lost the rates available when he first spoke to HSBC, because it took too long for him to get together the documents HSBC wanted.

If Mr V wouldn't have got lending at the lower rate anyway, because the documents HSBC wanted to see weren't available in the time a DIP would have been valid for, then I don't think I can hold HSBC responsible for Mr V missing out on the rate he initially discussed with it. So, although I do think HSBC could have given Mr V better information and guidance when he booked his mortgage appointment, I don't think it has to cover any increased mortgage costs he now faces, because of that.

I think that a payment of £100 in compensation would be a fair way to resolve this complaint point. This would be additional to HSBC's offer for this complaint.

#### *Eventual refusal of lending on the house*

Mr V withdrew his advised application for the house on 2 March, and he then submitted an online mortgage application. At the end of March 2022, he was told this application had been turned down. This may have been because, at this time, HSBC thought Mr V had more BTL properties, and that fell outside of its lending criteria, or it may have been because of concerns about what it could see on his credit file.

Mr V said after this, he tried to contact HSBC, and it just wouldn't reply. But I can see after this date HSBC noted that Mr and Mrs V only owned two BTL properties, and it received and considered his comments about some unrecognised credit searches on his credit file.

Mr V then received a second decline letter, sent on 3 May. I've asked HSBC why this letter was sent, and it's said that it didn't think Mr V had ever reapplied for lending on the house. I don't think that's right. I think the contact notes and documents I've seen from HSBC mean it's likely that Mr V was still seeking lending on the house at this time. And the reference number on the letter sent on 30 March, declining lending on the house, is the same as the reference number on the letter of 3 May. So I do think HSBC wrote to Mr V again in May, turning down his lending request for the house again.

I think it would have been helpful if HSBC could explain this, and it's added to the confusion in this case that it hasn't yet done so. But, I also note that Mr V had been asked to supply a considerable amount of information for this borrowing, including a revised rental agreement and proof of increased rent income. I can't see this documentation was sent. So on the evidence I've seen to date, I don't think HSBC made a mistake in turning down Mr V's lending request at this time.

I should note here that Mr V can supply more information on this point if he wishes. If he does want to send more information, it would be helpful to know what documentation he sent to HSBC, and when. And it would be helpful if Mr V could send that documentation to our service now.

If Mr V supplies evidence to show all requested documentation for this application was supplied, I will reconsider on this point. Otherwise, I know Mr V has been offered £100 for confusion surrounding the application for the house, but considering the extent of this confusion, and that it does seem to continue now, I think a payment of £200 would be fair and reasonable to resolve this issue. That's £100 more than HSBC has offered.

### *Valuations on the properties*

Mr V said the valuation on both properties was much lower than he was expecting. Our investigator explained that our service can't look at what the surveyor did, the remit of our service doesn't extend to surveyors. But we can check that HSBC did what we'd expect it to do. We'd expect it to instruct a firm with the appropriate professional qualifications, and then to rely on the advice that those professionals gave. And on the evidence I've seen to date, I think HSBC did that. I know Mr V found the valuations disappointing, but I think HSBC has done what our service would expect.

### *Delay in making a mortgage offer for the flat*

HSBC accepts it delayed in producing the mortgage offer for Mr V's flat, so he paid a higher rate on his other mortgage for 22 days. HSBC did ask Mr V for details of the extra costs he'd paid, but I can't see that Mr V supplied these. HSBC has offered Mr V £200 for this.

If Mr V wants to submit evidence showing that the delay cost him more than this, I would ask him to send details of the mortgage costs and lending amounts he was paying for the flat before this remortgage. It would be helpful to see details of the monthly payment he and Mrs V made in the month before their new mortgage with HSBC was agreed, and the lending amount on that mortgage. If Mr V sends that, then I'll reconsider on this point. But on the evidence I've seen so far, I think HSBC's existing offer of £200 is fair.

#### *Letter sent saying mortgage offer had expired*

HSBC wrote to Mr V on 28 July to say the mortgage offer for the flat had been withdrawn. As this mortgage had already been drawn down on 18 July, I think this letter was simply a mistake, and one which is unlikely to have had a significant impact on Mr and Mrs V. For that reason, I think HSBC's apology for this mistake does make up for what's gone wrong here.

#### *Difficulties in contacting HSBC*

Mr V was discussing the remortgage of three separate properties with HSBC at once – two BTL properties and his home. Additionally, he made multiple online applications for the same property. I think this could be expected to cause some confusion. On 28 April, Mr V was advised to close down all the applications he wasn't proceeding with.

Mr V contacted HSBC on various occasions asking for advice on what documentation he should submit. I don't think that HSBC's written requests were unclear. And I can see that Mr V doesn't appear to have accepted that HSBC would not simply carry forward information it held elsewhere, or from previous applications, for his current application.

I haven't been able to see that HSBC has fallen below an acceptable level of customer service on this issue, and I won't ask it to do more here.

#### *Summary and resolution*

For the reasons set out above, I currently think that HSBC should pay a total of £500 in compensation, made up of £100 for issues arising out of HSBC's advice on the different application methods; £200 for difficulties with the application for the house, including failure to explain the second mortgage refusal letter Mr V received, and £200 for delays in producing the offer for the flat.

I understand that HSBC hasn't yet paid in line with its previous offers, so I will include those in my award. But I will allow HSBC to count towards that award anything it has paid, in case Mr and Mrs V accepted that offer more recently.

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

### **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.

HSBC said it had now located the call where Mr V had booked his mortgage advice appointment, and it sent that recording to us. It said that it wanted to query the level of information which I would expect to be given in such a call.

I've listened to that call, and I can hear HSBC giving Mr V information on the rates it had available at the time. Mr V listened carefully to that, and then told HSBC what rate he thought he would want.

HSBC then asked if Mr V would like and advised appointment or not. It didn't offer an explanation of the different implications of the two routes. It did tell Mr V that only some of its advisors could deal with BTL mortgages, so he'd have to wait until the next qualified advisor was available.

My decision is not that HSBC should always explain in full on an initial call, the different implications that advised and non-advised sales of mortgages might involve. But here, given that there was likely to be a more extended delay in this case, and that Mr V doesn't appear to have been warned that the rates which had been read out to him weren't going to be held for him, I do think it would have helped in this case for more explanation to have been given to Mr V about the impact of the choice he was asked to make.

For the reasons set out above, 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 V £500 in compensation, made up as set out above. HSBC UK Bank Plc can count towards that amount any payment it has already made to Mr and Mrs V for this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs V and Mr V to accept or reject my decision before 25 July 2023.

Esther Absalom-Gough  
**Ombudsman**