

## **The complaint**

Mr D has complained about poor customer service and delay when he wanted to port (transfer) his mortgage interest rate product with HSBC UK Bank Plc onto a new mortgage on another property. Mr D repaid the mortgage, which HSBC has since reinstated. However, to settle the complaint Mr D wants HSBC to pay substantial compensation.

## **What happened**

I do not need to set out the full background to the complaint. This is because the history of the matter is set out in the correspondence between the parties and our service, so there is no need for me to repeat the details here.

In addition, HSBC has accepted it could have done better and has offered compensation. I therefore don't need to analyse the events in detail in order to determine whether or not HSBC is at fault; all I need to do is consider whether (in addition to having reinstated Mr D's mortgage) the £750 compensation the bank has offered is sufficient, or whether there is anything more HSBC needs to do to put things right.

Finally, our decisions are published. It's important, therefore, that I don't include any information that might lead to Mr D being identified. So for these reasons, I will instead concentrate on giving a brief summary of the complaint, followed by the reasons for my decision. If I don't mention something, it won't be because I've ignored it; rather, it'll be because I didn't think it was material to the outcome of the complaint.

Mr D had a mortgage with HSBC taken out in December 2019, when he borrowed £30,000 on a capital repayment basis over a term of five years seven months. The mortgage was on a fixed interest rate of 1.89% until 2024. If the mortgage was repaid before that date, an early repayment charge (ERC) would apply. The mortgage was due to end by Mr D's 80<sup>th</sup> birthday, which was the maximum age limit HSBC would allow for a mortgage.

In December 2022 Mr D was looking to move house. Mr D's solicitors requested a redemption statement on 14 December 2022 for a completion date of 5 January 2023.

Mr D went into HSBC on 15 December 2022 and asked about moving his mortgage onto a new property. Mr D was told that porting the mortgage would involve a new application, which was unlikely to be processed by early January, due to the Christmas and New Year holidays.

Mr D was told to cancel the mortgage application. This was, in fact, incorrect, as there was no mortgage application currently being processed. Mr D then applied for a personal loan, borrowing £26,760, to repay an existing loan and (presumably) to pay off the mortgage, which had about £11,750 outstanding on it. This was declined, because part of the loan purpose was to repay the mortgage, which was outside HSBC's lending criteria.

In order to raise sufficient funds to complete his purchase, Mr D has told us he took a cash advance on his credit card and borrowed on his overdraft. Mr D completed on his purchase on 18 January 2023, repaying the HSBC mortgage and paying ERC of £240.

Mr D then applied for a new mortgage, but this was declined. Mr D says that the bank told him he was “*too old*” to have a mortgage. Mr D complained.

HSBC looked at what had happened, and agreed that it had made a mistake when Mr D had been told in December 2022 that there wasn't time to port his mortgage interest rate product onto a new mortgage.

HSBC agreed to consider a new application. This would be outside its normal policy, for two reasons. The first reason was because the bank will not normally allow a 'port' of an interest rate onto a property the applicant already owned. The second reason was that the mortgage term could only run until one day before Mr D's 80<sup>th</sup> birthday – so if the previous remaining term was to be reinstated, this would run past Mr D's 80<sup>th</sup> birthday.

The new mortgage completed on 12 June 2023, on the same terms as the existing (repaid) mortgage. In addition to offering £350 compensation, HSBC also reimbursed fees totalling £2,112.79 which Mr D had incurred for solicitors' fees, as well as bank charges and interest Mr D had paid as a result of arranging an alternative source of finance for his purchase.

Mr D wasn't satisfied with this and brought his complaint to the Financial Ombudsman Service. He said that the six months it took to sort things out were extremely stressful and he believes his mental health was affected. Mr D said that he'd planned to release equity on his house on his 80<sup>th</sup> birthday once his HSBC mortgage was paid off, but this had now been extended by seven months, due to the errors by HSBC.

When responding to the complaint, HSBC said it would increase the compensation by £400, making a total of £750.

An Investigator looked at what had happened. He noted the bank had acknowledged it had made errors, but was satisfied that it had eventually put things right. The Investigator thought the bank's offer of compensation was fair and reasonable, and didn't think HSBC needed to do anything more.

Mr D didn't agree and asked for an Ombudsman to review the complaint. He made some further points about why he disagreed with the Investigator's findings:

- the Investigator had made no mention of the causes of the months it took to restart the mortgage, which were cancelled meetings and that his contact in the complaint department had gone away for a considerable time;
- there was also no mention of him having been told he was “*too old*” to have a new mortgage;
- he had, in fact, gone into his local HSBC branch on either 4, 9 or 17 August 2022 to ask how he would transfer his mortgage to another account, and was told that all he'd need to do is change the address on the account after he'd moved.

The Investigator asked HSBC to respond to this latter point, as it had never been raised before. HSBC had no record of any visit by Mr D to the branch on those dates, nor any record of him discussing his mortgage with an adviser.

Because the matter is unresolved, it falls to me to issue a 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.

As I said at the outset, I don't need to go into every last detail on this complaint, because HSBC has accepted it made errors. So whilst I note Mr D has referred to points he thinks should have been mentioned by the Investigator, I'm not persuaded any major issue that would have a material bearing on the outcome has been overlooked.

I note Mr D has raised a new issue that he hadn't mentioned before. Mr D told us that he'd originally asked HSBC about the process for porting the mortgage on 15 December 2022. In his response to the Investigator's findings, however, Mr D said he'd first asked about this in August 2022, and had been told all he'd need to do was to change the address on the account after he'd moved. HSBC said it had no record of Mr D asking for mortgage advice in August 2022.

What Mr D is now saying clearly contradicts what he first told us and HSBC, which is that he didn't ask about porting the mortgage until December 2022. I'm not persuaded that HSBC staff would have told Mr D in August 2022 that all he'd need to do was change the address on the mortgage account after he'd moved.

That's because I'm satisfied HSBC staff would have been aware that this is not the way mortgage accounts are ported (by *any* lender, not just HSBC). However it *is* correct that for current or savings accounts a change of address can be done quite simply once someone has moved house. But this is not the case for porting a mortgage or the interest rate product attached to it.

That's because when a mortgage interest rate product is ported, it involves redemption of the existing mortgage, which is repaid in full. There also has to be a new application for another mortgage on the new property (which must meet HSBC's lending criteria) and which, if successful, will allow the transfer of the mortgage interest rate product onto the mortgage on the new property, up to the amount of the previous mortgage. If the borrower requires additional funds, these would need to be borrowed on a different interest rate product.

I'm not doubting that Mr D went into the branch in August 2022. However, I think it's possible that he might not have been clear enough that he was asking about porting a mortgage interest rate product onto a new mortgage. I think instead – given when Mr D's told us – that it's more likely that he asked how he would change his account address after he moved, which the staff misinterpreted as being in relation to changing current or savings account details. If that was the case, then what Mr D was told was correct, albeit that both parties were each operating under a misunderstanding.

Mr D says that he was told he was “*too old*” to have a new mortgage, and that the bank cancelled his appointment. In an email to Mr D dated 22 February 2023, the mortgage adviser explained:

*“Unfortunately, it has come to light that I will be unable to run your application tomorrow due to system restraints.”*

*The reason is, due to the type of application I need to run, the minimum term the system is allowing is 5 years. This has been escalated to our product team who are going to find a way we can run this but it may take a few days for this to be resolved.*

*I'm really sorry I will have to cancel our appointment tomorrow for the time being. Please be assured we are working on a solution for you and will get the application completed as soon as we can."*

I'm satisfied the appointment was cancelled because, running the new mortgage application over the term that had been remaining on the previous mortgage would take the term past Mr D's 80<sup>th</sup> birthday, which the system wouldn't allow. However, Mr D interpreted this as him having been told he was "too old" to have a mortgage.

So what Mr D was told was factually correct according to HSBC's lending policy. To override lending policy on both the age limit and because Mr D already owned the property would require an underwriting exception, which I am glad to note HSBC did, in fact, make. But a mortgage adviser wouldn't be able to make such an exception, or override HSBC's computer system. I am satisfied that Mr D was provided with an explanation for his appointment being cancelled.

I understand that the new mortgage will now run past Mr D's 80<sup>th</sup> birthday, but I'm satisfied Mr D was aware of this when he agreed to the new mortgage. Mr D could have asked for a term reduction to align the mortgage end date with his 80<sup>th</sup> birthday, if he'd wanted to. Mr D also has the options to reduce the term by making lump sum reductions through the annual overpayment allowance, or by making a monthly overpayment of 20% per month, should he wish to do so.

### **Putting things right**

I do understand that this has been a protracted and upsetting episode for Mr D. However, I'm satisfied that the fees, interest and charges HSBC has agreed to reimburse totalling £2,112.79 is fair and appropriate.

I'm also satisfied that Mr D should be paid compensation for distress and inconvenience. HSBC originally offered Mr D £350, but later increased this to £750. In all the circumstances of this case, I'm satisfied that this is fair, reasonable and proportionate to the errors the bank made.

### **My final decision**

My final decision is that I uphold this complaint. To settle the complaint, if it has not already done so, HSBC UK Bank Plc must reimburse fees, interest and charges of £2,112.79 and pay Mr D compensation of £750.

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 discussion about it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 16 April 2024.

Jan O'Leary

**Ombudsman**