

The complaint

Mrs A complains HSBC UK Bank PLC 'HSBC' caused unnecessary delays and unfairly assessed her application for her Right-to-Buy (RTB) mortgage.

What happened

Mrs A applied for the RTB with her council, and this was offered to her in May 2022.

Mrs A contacted HSBC in December 2022 to start an application for a RTB mortgage. Mrs A received a mortgage illustration on 29 December 2022 which indicated she could get lending on £197,850 based on the property price of £310,000.

The application progressed and a valuation was carried out on 4 January 2023. Within the valuation, the surveyor stated an EWS1 form should be provided. HSBC made Mrs A aware of this and she contacted her council for them to provide this to progress the application.

The council emailed HSBC on 13 January 2023 to outline the government guidance has changed and buildings below 18 meters high do not require an EWS1 form. As a result, the application wasn't progressed as it wouldn't agree to providing this.

Between January 2023 and May 2023 there wasn't any progress with the application. This was due to the surveyor report requesting an EWS1 form. The application was progressed following a review of the initial valuation, an amended valuation was completed on 19 May 2023 – which determined an EWS1 form was no longer required, and the application could proceed.

HSBC looked at the application again and they were unable to lend the £197,850 Mrs A required. They explained the maximum term they could offer was 19 years and due to Mrs A increasing some of her other lending facilities, the application was declined on affordability.

Mrs A raised a complaint to HSBC and explained it was unreasonable to not proceed with the application in January 2023 as the EWS1 form wasn't needed. HSBC responded in a final response letter (FRL) on 23 May 2023. It apologised for the delays throughout the application in relation to the EWS1 form and offered £200 to put things right.

Mrs A raised a further complaint following the application being on a reduced basis. HSBC issued an FRL on 5 June 2023 to reiterate why the application was declined and again acknowledged the delays encountered due to the EWS1 form.

Mrs A didn't agree with this and referred the complaint to our service. Our investigator looked at the complaint and agreed the application had been fairly assessed by HSBC. The investigator did, however, think HSBC provided poor service due to the delay in amending the valuation and recommended HSBC to award a further £300 to acknowledge this. Making the total amount £500.

HSBC accepted our investigators findings, although Mrs A disagreed. She said the trauma of HSBC's actions hadn't been taken into account. Mrs A thinks HSBC gave assurances the

lending would be agreed and due to the delays, it prevented Mrs A from finding a new lender before the council RTB offer letter expired.

The investigators opinion remained unchanged, and the complaint has been passed to me for a 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.

In doing so, I've decided to uphold this complaint – for broadly the same reasons as the investigator. I appreciate this will be disappointing for Mrs A, but I'll explain why I don't think HSBC needs to do anything else to put things right. Please note, I may not have commented on every point Mrs A has raised – this is due to the fact I have concentrated on what I've deemed central to the complaint. And whilst I haven't commented on certain aspects, this doesn't mean the complaint hasn't been considered in full.

When deciding the complaint, I've had to consider whether HSBC has acted fairly and reasonably in declining the application Mrs A made. I think it's important to highlight ultimately it is for HSBC to decide whether or not to lend – providing the decision is in line with the relevant rules and regulations they must follow and that it has treated Mrs A fairly when applying these.

When considering the timeline of events and looking at the application, I'm not persuaded HSBC have acted unreasonably by declining Mrs A's application. I acknowledge in January 2023 the application progressed and there was an indication Mrs A could get the possible lending required. However, this was a decision in principle and no mortgage offer had been issued – so there wasn't a guarantee from HSBC that they could lend the funds.

Following the amended valuation, HSBC continued with the application. HSBC then reviewed this based on Mrs A's circumstances at the time, so in May 2023. These had changed compared to when the application had been made in January 2023, which was primarily based on the amount of unsecured lending Mrs A was utilising and an increase in interest rates. I appreciate Mrs A is disappointed the application couldn't progress but there isn't anything to suggest HSBC unfairly assessed the application and I'm satisfied that HSBC reached its lending decision fairly, after taking into account all relevant factors, including (but not limited to) affordability, exposure to risk, and Mrs A's specific circumstances.

I do acknowledge there were unnecessary delays from HSBC in regard to the EWS1 form. As a start, when determining whether to lend, most lenders will hire in professional expertise to value the property and determine whether it's a suitable risk to secure the borrowing against. Where a lender hires in a suitably qualified expert, such as a valuer registered with the Royal Institute of Chartered Surveyors (RICS) the lender is entitled to rely on the valuer's opinion when making its lending decisions.

In this case, HSBC was reasonable to rely on the valuers' comments around the EWS1 form. Although, I do think HSBC caused unnecessary delays by not following this up once the council had made them aware an EWS1 form wasn't needed. Ultimately this led to delays between January 2023 and May 2023 for Mrs A to have an amended valuation which allowed the application to progress.

I agree with the investigators recommendation of a total of £500 to be awarded to recognise the impact of this delay. I do think HSBC should have progressed this sooner and I'm sorry to hear of the impact it had on Mrs A.

I note Mrs A has said this delay prevented her from finding a new lender before the RTB offer expired. Whilst I agree the delay would have impacted this, I'm not persuaded HSBC is entirely at fault for this. The RTB offer was dated May 2022 and an application wasn't made by Mrs A until December 2022 – so whilst HSBC did cause delays I'm unable to attribute Mrs A not being able to find a new lender to HSBC.

I appreciate Mrs A will be disappointed with the outcome, but based on the overall context of the complaint I decide that HSBC should make an award of £500.

Putting things right

HSBC should pay Mrs A £500 in total for the distress and inconvenience caused with the delays added to the mortgage application. If it has already paid the £200 offered in its final response, it need now only pay the additional £300.

My final decision

For the reasons I've set out above, I uphold Mrs A's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A to accept or reject my decision before 5 July 2024.

Thomas Brissenden
Ombudsman