

## The complaint

Mr C complains that HSBC UK Bank Plc trading as first direct ("fd") told him he could change to a better mortgage interest rate, if one was available before he completed his mortgage. But then when he asked to do this, it said that wasn't possible after all.

## What happened

Mr C told us he needed a mortgage, to purchase the remaining equity in a property he already part owned (in circumstances I need not set out here). He said he applied for a mortgage with fd and paid a fee, which wasn't refundable, but he was told *"our booking and arrangement fees aren't refundable, but they can be transferred to another rate if...you tell us within 6 months of paying the fee and before your new mortgage is in place"*.

Mr C said not long before his purchase was due to complete, fd lowered its available mortgage rates, and he asked fd to transfer the mortgage to the new rate. He said it refused, because it couldn't complete the process before drawdown of the mortgage.

Mr C said he'd asked for the new rate before his new mortgage was in place, so he said when fd said no, it was in breach of its own promise. And Mr C said the checks fd wished to complete were nonsensical. The only change to the mortgage was a lower rate, which simply couldn't be a higher risk for him.

Mr C said he will pay between £1,000 and £7,000 more over the lifetime of the mortgage because of what fd had done. He said fd refused to change because it felt the internal processes could not be completed in the final week before the mortgage was offered. But Mr C said fd didn't say this when the product fee was being paid.

Mr C sent us the covering email for his mortgage illustration, which said this -

*It's also worth bearing in mind*

- *our booking and arrangement fees aren't refundable, but they can be transferred to another rate if:*
  - *the fee's the same*
  - *you tell us within 6 months of paying the fee and before your new mortgage is in place*
- *if you want to change your rate after 6 months, you'll need to pay any relevant fees*
- *if you want to change your rate after your new rate's in place, you'll need to pay any relevant fees and early repayment charges*
- *any changes you make may need a new application.*

fd didn't think it had done anything wrong. It said Mr C applied for a mortgage, and formal offer documents were sent to him on 8 November 2023. Mr C wanted to draw down the mortgage on 14 December 2023.

Mr C noticed that fd had reduced its rates, and called on 17 November to change his rate. This was actioned, and offer documents were sent on 29 November.

Mr C then got in touch again on 7 December, asking again to change the rate. The advisor who called him back on 12 December said there wasn't enough time to change the rate by his intended drawdown date. But fd said by the time Mr C contacted it, on 7 December, it was already too late to make the change by 14 December. Although the mortgage advisor didn't call Mr C back right away, fd didn't think that was why Mr C didn't get the new rate.

fd noted how long a change to Mr C's rate took the first time he requested it, and said it didn't feel asking it to change a rate with only a week until drawdown was achievable.

Our investigator didn't think this complaint should be upheld. He said Mr C had chosen to take out a mortgage with fd because he thought its rates were competitive. He had a fixed drawdown date of 14 December.

Mr C changed his mortgage rate once after his initial offer, and that took 12 days to complete. When Mr C asked to change again on 7 December, fd said it couldn't do that in time for his drawdown date of 14 December. Mr C felt it was unnecessary for fd to go through the whole process of a mortgage application each time he was changing a rate. But our investigator said our service wouldn't tell fd not to do that, and he felt fd had been clear that a new application was needed for changes.

Our investigator thought fd could have been clearer about the fact that it would take some time to make a change like this. But he didn't think the outcome would have been different if it had said something different in its email to Mr C. Mr C chose fd because of its competitive rates, so he would have taken out the same mortgage offer anyway. Our investigator understood this was frustrating for Mr C, but he didn't think fd had to do any more.

Mr C didn't agree. He said the terms and conditions of the offer weren't relevant here, as he couldn't know when he chose this mortgage that fd would breach its own terms. He said his position should be based on the bank having failed to meet those terms, and he said if fd had met those terms, he would be paying a lower rate now.

And Mr C said fd only ever told him a new application "*may*" be needed, so it was at its discretion. He said fd was gaining by increasing its own bureaucracy.

Our investigator still didn't think fd had breached its own terms. As no agreement was reached, this case was then passed to me for 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.

I've reached the same overall conclusion on this complaint as our investigator.

I've listened to the call that Mr C had with fd on 7 December. He said he had a completion date of 14 December, and wanted to know if he could still change his rate. The advisor said then that things were too tight to put a new rate in place for him before 14 December. fd said it would still have to provide mortgage advice, underwrite the new mortgage, and issue new documentation. It didn't have time to do all that before 14 December. fd asked Mr C if he had any way of changing his completion date, but he said he didn't.

So I don't think fd refused to do what it had offered. It was happy to honour the promise it had made, and to allow Mr C to change his mortgage before the offer he'd previously accepted was in place. But that promise did say an application may be necessary, and that's the process fd had asked Mr C to go through when he changed the rate the first time. So, although our investigator thought that the Consumer Duty meant fd should have warned Mr C that it wouldn't always be possible to change the rate because this could take some time, I think that by the time Mr C made his second request to change the rate, he was aware of that, and ought reasonably to have understood this could take some time.

Mr C said fd didn't need to talk to him all over again, it had chosen to do that, and he thought it had chosen to cause delay because that meant it could charge more for his mortgage. But a mortgage is a very significant financial commitment, and the rules fd is subject to require it to take a number of steps to ensure Mr C is in a position to have fully understood the offer fd makes, before he accepts it. I don't think it's unfair or unreasonable for fd to have adopted the same cautious approach when it is revising an offer. I don't think it's possible for fd to simply waive all of these requirements in these circumstances, and just change the rate Mr C has previously accepted.

Ultimately, it does appear that the decision not to go ahead with the second revised rate wasn't fd's. It was happy to go through the process, if Mr C could make time for that. But Mr C said his completion date couldn't be moved. fd does appear to me to have been happy to put the new rate in place. It simply wasn't able to within the time Mr C said he had available. And for the reasons set out above, I don't think that's an unfair or unreasonable thing for fd to say.

I know that Mr C will be disappointed, but I don't think this complaint should be upheld.

### **My final decision**

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 2 July 2024.

Esther Absalom-Gough  
**Ombudsman**