

The complaint

Mr and Mrs W's complaint is about a mortgage application they made to HSBC UK Bank Plc. They are unhappy that the application was not accepted over the term they applied for, so they couldn't port an interest rate product from Mr W's existing mortgage, meaning that the early repayment charge he had paid was not refunded as they had expected it to be.

What happened

In May 2023 Mr W applied for a mortgage with HSBC, which was accepted. An offer was made in July 2023 and the mortgage started in August 2023. He borrowed around £134,000 over a term of 14 years, which meant that the mortgage ended slightly before Mr W planned to retire at the age of 75. A five-year fixed interest rate product was attached to the mortgage.

By the spring of the following year Mr and Mrs W had married and wanted to buy a house together. Mr W's house was put on the market for sale in the middle of March 2024 and an offer was accepted shortly thereafter.

Mr and Mrs W obtained a decision in principle (DIP) online with HSBC for a new, joint mortgage on 18 March 2024. This confirmed that they might be able to borrow up to £237,500. It stated that it was not a mortgage offer and should not be treated as one. The document went on to confirm that a full credit assessment would be done and Mr and Mrs W would need to be able to meet HSBC's lending criteria and the property they were buying also had to be suitable security.

A few days later Mr and Mrs W's solicitors asked HSBC for a redemption statement with a planned repayment date of 22 April 2024. A redemption statement was provided the same day.

By the end of March Mr and Mrs W had found a property they wanted to buy and had made an offer. They anticipated needing to borrow £184,500 on a purchase price of £205,000. A new decision in principle was produced by HSBC's staff on 28 March 2024, which said that HSBC might be willing to offer Mr and Mrs W a mortgage of £194,750.

Mr and Mrs W next contacted HSBC three months later. They confirmed they wanted a mortgage of just under £195,000 over a term of approximately 13 years, and they also wanted to port Mr W's existing interest rate product to the new mortgage and take out a new product for the additional borrowing. They made an appointment to speak to a mortgage adviser on 1 July 2024 to discuss a new mortgage on that property. This meeting was postponed by HSBC and took place on 4 July 2024, with a follow-up meeting on 8 July 2024.

Mr W exchanged contracts on the sale of his home on 9 July 2024, with completion planned for the following week.

The mortgage adviser contacted Mr and Mrs W in the middle of July 2024 after completing an assessment of the information they'd provided her and the mortgage they wanted. She explained that the DIP Mr and Mrs W had obtained online was wrong due to the information

that had been submitted about part of Mr W's income. As such, she didn't think the mortgage Mr and Mrs W had proposed would be agreed. There were discussions about affordability, the amount being borrowed and the proposed term. Mr and Mrs W decided on 16 July 2024 that they would reduce the amount they were asking to borrow by just over £5,500. A mortgage illustration was produced for Mr and Mrs W for a mortgage of £189,000 over 12 years and 10 months.

The following day the sale of Mr W's home completed.

HSBC received the valuation for the property Mr and Mrs W wanted to buy on 18 July 2024. The further information required from Mr and Mrs W was provided around the same time, so the underwriters had all the information they needed to assess the application in the middle of July 2024. On 31 July 2024 HSBC told Mr and Mrs W that it didn't consider a mortgage into retirement was affordable and that they might want to consider a shorter term, as that would mean that HSBC could base the affordability assessment on their employed and self-employed incomes.

HSBC sent Mr and Mrs W an illustration at the beginning of August 2024 for the mortgage with a term to end before Mrs W's 70th birthday. The monthly payment was slightly over £2,700, which Mr and Mrs W decided was not affordable. As such, Mr and Mrs W applied for, and obtained, a mortgage elsewhere. They complained and asked that HSBC refund the ERC they had paid when Mr W's mortgage was repaid. This was because they said they would not have sold the house and repaid the mortgage if they had not been led to believe they could port to a new mortgage with HSBC.

HSBC responded to the complaint on 2 October 2024. It didn't uphold it in relation to the decision it made about providing Mr W and his wife with a new mortgage, but it did consider the service it provided was not what it should have been. It offered £250 compensation for the distress and inconvenience that may have been caused.

Mr and Mrs W were not satisfied with the outcome of the complaint and referred the complaint to this Service. When they did so, they told us that had they known they would not be able to port Mr W's existing interest rate to a new mortgage with HSBC they would not have sold Mr W's house.

One of our Investigators considered Mr and Mrs W's complaint. He concluded that the same lending criteria applied to both of the applications, but it had been applied differently. The Investigator concluded that either Mr W's 2023 application should not have been accepted, or the joint application in 2024 should have been. As such, he thought HSBC should refund the ERC charged on Mr W's mortgage, plus increase the amount of compensation for the upset and inconvenience to a total of £500.

Mr and Mrs W accepted the Investigator's conclusions. HSBC did not. It said that the two applications had been assessed based on the individual circumstances of the applications, and so the Investigator's conclusions were incorrect.

I issued a provisional decision on 27 March 2025, in which I set out my conclusions and reasons for reaching them. Below is an excerpt.

'In 2023 Mr W applied for a mortgage at age 60, which would end when he would be 74. He borrowed approximately £134,000 based on an income of around £50,000. It is clear from the application notes that Mr W has said he would be working until the age of 75 and, due to the nature of his job, HSBC considered that it was likely he could do so and in his circumstances, he probably would.'

When Mr and Mrs W applied for their joint mortgage, Mrs W was age 62. It is the older age of a couple that HSBC bases its assessment of an application on, as is common in the mortgage industry. They wanted to borrow £189,000 over a term of slightly under 13 years, by which time Mrs W would be about to turn 75.

Both applications were entered into HSBC's systems, and both were referred for manual underwriting because the term would end beyond age 70 for both applicants. So both applications were treated in exactly the same way by HSBC's systems to this point. After this point in the process the two applications were assessed separately, based on their individual attributes.

I would explain that a lender is entitled to decide what risks it is willing to accept when lending. Different lenders will have different policies, and some are more cautious in what they accept than others. This isn't unfair and allows for competition in the mortgage market. Although Mr W was an existing customer of HSBC, that did not entitle him to further borrowing. Also, when he and Mrs W applied for their mortgage, they wanted a new mortgage on quite different terms. As such, it was not unreasonable for HSBC to have assessed that application, apply its lending policy to it, and decided if it was a risk it was willing to take.

At this stage, I would explain that while both mortgages applied for had terms that ended after age 70, they were very different applications. The second application was for a larger mortgage and on a joint basis. HSBC decided that application was not a risk it was willing to take. That was a decision it was entitled to make.

It is unfortunate that this meant that Mr and Mrs W couldn't do what they wanted, but I can't find that HSBC was wrong to assess the joint application in the way it did. I have seen no evidence that it would have reached a different decision for any other borrower in a similar position, and I don't consider that the evidence shows that HSBC treated Mr and Mrs W unfairly. As such, I can't find that it should not have declined to refund the ERC.

HSBC offered Mr and Mrs W £250 compensation for any distress or inconvenience they suffered due to its process and decision. In the circumstances, I consider that amount is fair and proportionate and would endorse it.'

Mr and Mrs W did not accept my conclusions. They commented on the information they had provided to HSBC and when, and said that HSBC had asked them to provide some information on more than one occasion. In addition, Mr and Mrs W set out their opinion about the risk the joint mortgage would have represented to HSBC. They also said they thought that major changes in lending criteria and policy should have been communicated to them at the outset, rather than allowing them to pursue a mortgage that was not going to be agreed. Mr and Mrs W also highlighted how positive the mortgage adviser had been about the likelihood of their application being accepted. Mr and Mrs W also said that they had not been told that there might be an issue with lending beyond retirement until the day their application was declined. They had considered that it was an implied term that the mortgage

would run to age 75 and their earned income would be taken into account to allow that to happen.

Mr and Mrs W said that they accepted that HSBC could apply whatever lending criteria it wanted to, but it was unfair practice to provide poor administration, cause delays and provide misleading advice.

HSBC accepted the provisional 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.

Mr and Mrs W have highlighted that the system generated response to their application was the same as it had been for Mr W's earlier application, and so HSBC's decision on their joint application was inconsistent. As I confirmed in my provisional decision, the system generated response was not an acceptance or rejection of their application, rather it was a decision that the application had to be manually underwritten, which then happened. So, there was consistency in how the two applications were handled.

I have noted Mr and Mrs W's comments about the level of risk their mortgage application represented. While Mr and Mrs W are entitled to their opinion, it is not their assessment of the risk that matters in this case, but rather HSBC's. The joint application was underwritten based on the information HSBC had at that time. HSBC decided it was not a risk it was willing to accept, which was a decision it was entitled to make, based on its lending criteria and policies.

I note that Mr and Mrs W believe that HSBC should have told them about any changes in policy at an early stage. Firstly, there is no indication in the evidence available that the application was turned down because HSBC had changed its lending criteria or any policies. However, even if there had been, lending criteria and policies are commercially sensitive and so are not something that a lender will set out to a potential applicant. While I would expect a lender to make a potential borrower aware if there was something about their circumstances or their proposed application that meant it was not worth them making an application, that was not the case for Mr and Mrs W. So I can't find HSBC at fault for not telling them in March or early July 2024 that their application would be declined.

Turning to the timescales involved, as I said in the provisional decision, HSBC didn't have all of the information it needed to assess the application in full until the middle of July. Mr and Mrs W had a decision about their application in just over 2 weeks, with an alternative option that was acceptable to HSBC suggested. This was also only just over three weeks in total from the date of the initial discussions with the mortgage adviser having concluded. I do not consider those timescales to be unreasonable for an application that needed a manual assessment completed. That said, there was a delay of a few days initially due to staff illness.

Mr and Mrs W have said they were misled by HSBC. In the telephone calls from the mortgage adviser after the discussions on 4 and 8 July 2024, it was explained to Mr and Mrs W that the initial online DIP had not been right due to how some of Mr W's income had been recorded. They were told that the application that had been discussed would not be approved and so it would need to be changed. The adviser was positive about the prospect of the revised application being approved and that she would do her best to get that outcome for Mr and Mrs W, but she made it clear that she couldn't guarantee that it would be accepted. I think the mortgage adviser was genuine when she said she thought

that the revised application would be approved, but she didn't guarantee that it would be and the whole discussion was off the back of her having determined that the previous, only slightly different proposal, would not be accepted.

Overall, I remain satisfied that the compensation payment already offered is sufficient in the circumstances.

My final decision

HSBC UK Bank Plc has already made an offer to pay Mr and Mrs W £250 to settle the complaint and I am satisfied this offer is fair in all the circumstances. As such, my final decision is that HSBC UK Bank Plc should pay Mr and Mrs W £250 in full and final settlement of this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr and Mrs W to accept or reject my decision before 16 May 2025.

Derry Baxter
Ombudsman