

The complaint

Mr and Mrs H complain that HSBC UK Bank Plc refused their application for further borrowing on their mortgage.

What happened

In 2020 Mr and Mrs H took a mortgage with HSBC. In 2024, they applied for further borrowing at the same time as taking a new fixed interest rate on part of their existing balance.

HSBC refused the application for further borrowing. It said that it wasn't willing to lend secured on Mr and Mrs H's property because it was in an area at risk of coastal erosion.

Mr and Mrs H complained. They didn't agree with HSBC. They said that according to government guidance there was no erosion risk for the foreseeable future in the area where they live.

Our investigator didn't recommend upholding the complaint. He said that HSBC had checked reputable sources to consider the erosion risk and had made a reasonable lending decision. Mr and Mrs H asked for their complaint to be reviewed by an ombudsman.

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'm sorry to hear Mr and Mrs H were unable to raise the funds they needed from HSBC, and so moved their mortgage to another lender – incurring an early repayment charge (ERC) on the part of the mortgage still subject to a fixed rate. I can understand why they found this upsetting and frustrating. But I'm afraid I don't think HSBC did anything wrong.

Since Mr and Mrs H took their mortgage out, HSBC has reviewed its policies on lending on properties potentially impacted by, among other things, coastal erosion and the risk of flooding caused by climate change. Lenders are entitled to change their policies, and to make decisions about the sorts of risks they are and are not prepared to accept.

Government information for the area Mr and Mrs H's property is in shows that there is a coastal management plan in place. Although intervention is not expected under the plan, it does show that there is considered to be a risk of coastal erosion in the area. In those circumstances, it wasn't unreasonable for HSBC to decide that, while it would honour the existing mortgage, it wasn't prepared to offer any further lending which would increase its risk exposure. That was a reasonable decision HSBC was entitled to take – even though a different lender was prepared to lend. Different lenders have different policies and different risk appetites; this is normal and allows for competition in the mortgage market. Even if two lenders reached different decisions, it doesn't follow that either of those decisions were unreasonable and not ones the lenders were entitled to make.

Mr and Mrs H say that HSBC should have told them when it changed its policy about these risks in 2021. If it had done so, they would have made different decisions when taking new fixed rates in 2022, and might as a result not have incurred the ERC now. I don't think HSBC acted unfairly here either. Lenders are entitled to change their policies from time to time. There's no obligation to tell customers of changes generally, or to advise specific customers that – at some hypothetical future point, if they ever decided to apply – it might not be willing to consider further borrowing. It also wouldn't be practically possible to anticipate every future application all customers might make and warn them of all the risks associated with any of those potential applications.

In any case, given Mr and Mrs H only decided to apply for further borrowing in 2024, it's difficult to see how they would have known to make different decisions in 2022 even if HSBC had been obliged to warn them of changes in its general risk appetite that might affect their specific property (which, as I've said, it wasn't).

I do appreciate how frustrating this was for Mr and Mrs H. But I'm afraid I'm not persuaded that HSBC did anything wrong in declining to increase the amount of borrowing secured against their property.

My final decision

For the reasons I've given, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H and Mrs H to accept or reject my decision before 6 October 2025.

Simon Pugh
Ombudsman