DRN-5592448

The complaint

Mr and Mrs J complained that HSBC UK Bank Plc won't let them extend the term of their homeowner loan, secured on their house, to match the term of their main mortgage. They said they'd extended the mortgage term fairly recently, and just wanted to do the same here.

What happened

Whilst this complaint is brought by both Mr and Mrs J, as the mortgage is in both their names, our dealings have been with Mr J. So I'll mainly refer to him in this decision.

Mr J told us that he has an interest-only residential mortgage on his home, with HSBC. He also has an interest-only homeowner loan. The loan runs about to his 75th birthday, but the mortgage runs about to his 80th birthday.

Mr J said he wanted to align the expiry date of his secured loan to match the expiry date of his mortgage. He said HSBC at first said he could apply online, but then it said because of a change in policy, it would no longer consider extending Mr J's lending until he reached that age. Mr J said he'd asked HSBC to explain why an extension wasn't possible now, when he'd extended his mortgage previously. HSBC just said it was due to a change in policy.

Mr J said he wanted to repay the homeowner loan by selling a different property. He said that property was currently rented out. It was profitable, and increasing in value, so he wanted to hold onto it for a few more years. Mr J said he'd been a customer of HSBC for many years, and he wanted it to repay his loyalty now.

HSBC confirmed that Mr and Mrs J's mortgage runs for a term which is a bit less than five years longer than the term of their homeowner loan. Neither term has yet expired. Mr J extended the term of his residential mortgage in 2022. But HSBC said it would no longer authorise lending which would end when someone was almost 80 years old. It said its policy on this has changed since Mr and Mrs J last reviewed their mortgages. So HSBC wouldn't allow Mr J to align the lending on his homeowner loan now, to match that on his mortgage.

Our investigator thought this complaint should be upheld. He said that Mr and Mrs J already have lending which extends almost to Mr J's 80th birthday, so he thought it would be fair and pragmatic for HSBC to reconsider this application, setting aside the age 75 term limit in this instance. If the term extension was affordable, then our investigator said he thought it would be fair and reasonable for HSBC to approve the term extension, bringing the homeowner loan in line with the main mortgage term.

HSBC sent further representations arguing that it should not have to depart from its existing policy, in the absence of exceptional mitigating circumstances. It said it had only approved the previous extension to Mr J's main mortgage to give him "breathing space" to get his finances in order, in light of his ill health. HSBC also said it had understood Mr J would repay the smaller loan from savings, not the sale of a property. However, our investigator continued to argue that it would be fair and reasonable to reconsider the application in this case, and HSBC finally agreed that it would reconsider Mr and Mrs J's application to extend the term of their homeowner loan to match the term of their main mortgage, as an exception.

HSBC said this would need to be a full, advised application, and would still be subject to meeting an affordability assessment.

Mr J didn't want to accept HSBC's offer. He said there was very little risk to HSBC in this case, and he thought that by reserving its right to underwrite his application, HSBC was just seeking a roundabout way to deny his request again. He said he'd already collated and supplied a large amount of information to HSBC, and he didn't want to have to do that again.

Because no agreement was reached, this case was 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 note that our investigator has not asked HSBC to provide the risk assessment that it carried out, before amending its policy to reduce the maximum age for mortgage lending, nor has he asked HSBC to objectively justify any age-related discrimination in this particular case. He took the pragmatic view that, in circumstances where Mr and Mrs J already have interest-only mortgage lending which extends almost to Mr J's 80th birthday, HSBC ought not to rely on its changed policy to refuse to extend Mr and Mrs J's remaining interest-only secured lending to the same date.

I think that is the appropriate way to address this case, and it's in line with my duty to decide this case on the basis of what is fair and reasonable in the circumstances of this case. So this decision neither endorses nor criticises HSBC's overall policy on the age at which a customer must pay off their mortgage.

Instead, I think a pragmatic approach is, as our investigator suggested, the fair and reasonable option here. Mr and Mrs J say they can afford this additional lending. They have a rental property which they propose to sell, to clear their borrowing. They said that rental is currently profitable, and the property is increasing in value, so they would simply like to delay the sale of that property until their main mortgage is due.

Because I think the fair and reasonable solution is for HSBC to consider this application, I'm glad to see HSBC has now agreed that Mr and Mrs J can reapply to extend the term of their homeowner loan to match the term of their existing mortgage lending. HSBC said that application should be on an advised basis, so it will expect Mr and Mrs J to have an interview with a mortgage advisor rather than apply online. I do think that's reasonable.

Mr J said he didn't want to agree to that offer, because HSBC was clear it would still want to check the lending was affordable for him. He felt he'd already supplied sufficient information, and this was just another way for HSBC to turn him down. But I don't think it's unreasonable for HSBC to say it wants to check this lending is affordable for Mr and Mrs J. And although I accept that it will put Mr J to some trouble to find updated information for HSBC, I also don't think it's unreasonable for HSBC to want to base its assessment on an up to date picture of Mr and Mrs J's finances. I know that Mr J would like his previous application to simply be approved, but I don't think HSBC has to do that.

So my decision will require HSBC to consider a new application from Mr and Mrs J, done on an advised basis, to extend the term of their homeowner loan until the same end date as their existing mortgage, and to do so setting aside its policy on the age at which mortgage lending must end, in this case.

My final decision

My final decision is that HSBC UK Bank Plc must consider a new application from Mr and Mrs J, done on an advised basis, to extend the term of their homeowner loan until the same end date as their existing mortgage, and to do so setting aside its policy on the age at which mortgage lending must end, in this case.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs J and Mr J to accept or reject my decision before 11 August 2025.
Esther Absalom-Gough
Ombudsman