

The complaint

E, a partnership, complains that HSBC UK Bank Plc has recently said it has underpaid its mortgage for a couple of years. HSBC would repay overcharged interest, but E says its partners now face having to extend the mortgage or find money to cover missed payments.

Mr E brings this complaint on behalf of E.

What happened

Mr E said he'd been contacted out of the blue by E's relationship manager from HSBC, to say E had underpaid its commercial mortgage for a couple of years, and the money would have to be made up. HSBC should have recalculated E's mortgage, but had failed to do so. Mr E said HSBC told him his payments would go up by about a third.

Mr E said that HSBC told E it was due a modest refund of overpaid interest, but the missed payments added up to much more. So HSBC asked how E would like to cover the shortfall – by paying a lump sum, increasing its mortgage payments, or extending the mortgage term. But Mr E said he didn't think E should have to do any of those things. This was HSBC's mistake, and it should put things right. Mr E said this had affected E's declared profits for the last three years, and had affected E's business financial planning. He said E's partners may have to delay their retirement if E has to cover the shortfall.

HSBC responded to our service saying that the interest recalculation it had previously suggested, was wrong. Instead of owing E about £700, HSBC said it owed E about £300. So it said it would pay that back. HSBC didn't say how much E would have to pay as a lump sum, to put its mortgage back on track.

Our investigator thought this complaint should be upheld. She said what had gone wrong here, was HSBC's fault, because it hadn't recalculated E's mortgage. She didn't think E's partners would have been aware of the issue before HSBC told them, in December 2024.

Our investigator said that if E had been given the correct information, its partners would most likely have paid the mortgage. But the money that they hadn't paid was likely to have been spent elsewhere, and not easily available now to cover the shortfall. So she thought that for the period before December 2024, when the mortgage was underfunded and E didn't know that, HSBC should make up the missed payments.

Our investigator said HSBC should restructure the mortgage account as if the payments had been done in full and on time from December 2022 to November 2024. She also thought HSBC should refund the £305.03 of interest it had overcharged, and pay the compensation of £500 it had previously offered.

E's partners accepted that, but HSBC wrote to object. HSBC said we hadn't considered the borrower's obligation to mitigate any loss it was aware of. HSBC said E either was aware, or should have been aware, that a mortgage review hadn't taken place. So it should have taken

action. HSBC referred our service to what it said was a similar complaint, when HSBC wasn't asked to cover the shortfall.

Our investigator didn't change her mind. She said she'd asked HSBC to do something about the time before E became aware of the underpayments, but not to continue to cover the shortfall once E knew about this. Because HSBC had asked for an ombudsman's decision this case then came to me.

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.

As HSBC is aware, each case that is referred to our service is considered on its individual merits. So that's what I've done here – is to look at the particular circumstances of this case.

I don't think it's reasonable to conclude in the circumstances of this case, that E either was aware that it was underpaying the mortgage, or that it ought to have been aware. The correspondence HSBC has sent our service does appear to show that E had previously had mortgage recalculations roughly every two years. And E's repayments increased in September 2022. So I don't think it was, or ought to have been, obvious to E that the recalculations which HSBC now says should have been done in November 2022 and November 2023, hadn't been completed.

I haven't seen anything to make me think that if this recalculation had been carried out, E wouldn't have paid what it was asked to pay for the mortgage. But, as our investigator said, any "saving" that E has made on marginally lower monthly payments, is not likely to be money that E could easily realise now. E has told us that it will struggle to pay any shortfall. I think it's likely that the modest amount of extra money E had because HSBC didn't recalculate its payments was used either towards E's business each month, or towards the ordinary living expenses of the partners.

So E now finds its mortgage is underfunded. E has explained the impact this could have on its partners, including affecting retirement plans if they have to extend the mortgage term.

I do think the mistake here is HSBC's fault, and for the above reasons, I don't think E either was, or should have been, aware of this mistake. So I think it is fair and reasonable in the circumstances of this case, to ask HSBC to cover the shortfall in payments caused by HSBC's failure to recalculate this mortgage in November 2022 and November 2023. I think HSBC should rework E's mortgage as if these recalculations had been completed, and E had paid the resulting increased monthly mortgage payments.

HSBC has already offered to refund £305.03 of interest, and to pay £500 in compensation. I think those payments are fair and reasonable in the circumstances of this case, including the time lost to the business that E's partners have spent pursuing this complaint. So I think that, plus the above recalculation, provides a fair and reasonable outcome in this case.

My final decision

My final decision is that HSBC UK Bank Plc must rework this mortgage as if the recalculations it says were due in November 2022 and November 2023, had been completed, and E had paid the resulting increased monthly mortgage payments from December 2022, up to and including November 2024.

HSBC UK Bank Plc must also refund £305.03 of interest to E, and pay E £500 in compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask E to accept or reject my decision before 13 October 2025.

Esther Absalom-Gough
Ombudsman