

## **The complaint**

Mr M complains that HSBC UK Bank Plc paid a demand for rentcharges and added the amount paid to the balance of his mortgage.

## **What happened**

Mr M has a mortgage with HSBC. The mortgage is secured over a property – Mr M owns the freehold of the property.

A third party company has claimed that Mr M owes rentcharge payments. Mr M disputes that the sums claimed are owed by him and hasn't paid the demands. The company contacted HSBC and said it was considering exercising its right under section 121 of the Law of Property Act to take possession of the property if the rentcharges remained unpaid.

In the past, when this has happened, HSBC has contacted Mr M and he has told HSBC that he is in dispute with the company and doesn't accept that he is liable for any payments. HSBC has therefore not made any payment to the company.

In 2024, the company wrote to HSBC again. It said that the amount owing was now around £2,200 and if it remained unpaid the company would take further action. HSBC wrote to Mr M to tell him it had received a further demand. Mr M called HSBC, said that he remained in dispute with the company, and that he did not agree to HSBC making payment on his behalf. He says that HSBC told him that it wouldn't do so without his consent.

Mr M then found out that HSBC did make payment and had added the payment to his mortgage balance. He complained.

HSBC said that it had asked Mr M for evidence that he was disputing liability in 2023 – such as documents showing he was taking action to contest the claim. It said it hadn't received any evidence. It said that it had given him the chance to resolve the dispute himself but things hadn't moved on. It said that it had the right to make payments to protect its security, and that's what it had done. It wouldn't remove the sums paid from the mortgage account – but if Mr M was successful in challenging the demand and HSBC received a refund, it would remove them from the account then. But it was up to Mr M to progress the dispute himself.

Mr M brought his complaint to us. Our investigator said that it was reasonable for HSBC to have made the payment to protect its security. But he said that it shouldn't have told Mr M it wouldn't make the payment and then gone on to do so. He said it should pay him £200 compensation for the upset caused by being misled into thinking HSBC wouldn't make payment. But he didn't think it should remove the payment from his mortgage account or take action to recover it from the company. HSBC accepted that, but Mr M didn't. He asked for an ombudsman to review his complaint.

## **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 M's property is on an estate which is subject to estate rentcharges. The rent owner says that Mr M has failed to make payments due. Mr M disputes that he owes the sums claimed. He said that there was a previous settlement, which he complied with, but the rent owner still seeks further sums it's not entitled to. He says he won't pay and will wait for the rent owner to take him to court.

However, the rent owner does not have to take him to court. Because this is an estate rentcharge issue – not a leasehold ground rent or service charge case – the rent owner has power under section 121 of the Law of Property Act to take possession of the property, or grant a lease over it, without Mr M's consent and does not need a court order to do so.

If that happened, then either Mr M would lose the property altogether, or it would be unsaleable with a lease in place. Either way, that puts HSBC's security for its lending – secured over Mr M's property – at risk.

The rent owner wrote to HSBC several times in the years before 2024, asking it to pay the outstanding amount. HSBC checked with Mr M and wrote back saying he disputed the demand and so it wouldn't pay. By 2024, the rent owner said that unless payment was now made it would take action under section 121.

HSBC therefore wrote to Mr M. When he called in on 20 June, it said it wouldn't pay without his consent. That wasn't correct. It was entitled to do so whether he agreed or not, according to the mortgage terms and conditions. And it – reasonably, in my view – concluded that the point had been reached where it needed to do so. The dispute had been going on for several years, Mr M hadn't taken active steps to progress it himself, and the rent owner was not prepared to wait any longer. HSBC's security was at risk, so it made the payment and added it to the loan balance. It was entitled to do so, and that was not unfair.

If Mr M wants to progress his dispute with the rent owner, he can do so. If he's successful in doing so and obtains a refund and pays that back to his mortgage, HSBC should then reduce the balance. But this is Mr M's dispute, not HSBC's, and so it's up to him to pursue. He might want to take legal advice before taking any further action. As I say, this wasn't HSBC's dispute. But the effect of Mr M's decision not to pay the demands was that its security was at risk, and so it took steps to avoid that.

### **Putting things right**

However, while the payment was fair and reasonable, HSBC shouldn't have told Mr M it wouldn't make payment. That wasn't correct, and it caused him considerable upset when he found he'd been misled. HSBC's correspondence was also incorrect – it kept referring to ground rent and service charges, and to Mr M being in dispute with a freeholder. This isn't a lease case. Mr M is a freeholder, but is subject to estate rentcharges. HSBC should have made that clear in its correspondence. I'm satisfied that £200 is fair compensation to reflect the fact that Mr M was initially misled about what HSBC would do, and to reflect the annoyance caused by inaccuracy in describing the nature of the dispute in its letters.

### **My final decision**

My final decision is that HSBC UK Bank Plc should pay Mr M £200 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 20 October 2025.

Simon Pugh  
**Ombudsman**