

## **The complaint**

Miss E and Mr R complain that HSBC UK Bank Plc didn't fully explain and misrepresented the terms of the fixed interest rate products applied to their mortgage.

## **What happened**

Miss E and Mr R have a mortgage with HSBC which is split into three parts, with each part having a different interest rate.

HSBC wrote to Miss E and Mr R in October 2024 to remind them that their fixed interest rate of 6.04% on part of their mortgage would end on 31 March 2025. I'll refer to that part of the mortgage as 'part one'. The letter explained how Miss E and Mr R could take a new interest rate product either online or over the phone. It also set out what Miss E and Mr R could do if they changed their mind after accepting a new interest rate product and what'd happen if they didn't take a new interest rate product.

Miss E and Mr R applied for a new fixed rate online at the end of October 2024. HSBC issued a rate switch offer for an interest rate of 4.49% fixed until 31 December 2026 to be applied to part one of the mortgage. A product fee of £999 was to be added to Miss E and Mr R's mortgage when they accepted the rate switch.

HSBC wrote to Miss E and Mr R on 1 April 2025 to confirm their interest rate had been changed to the new fixed rate of 4.49%. It also set out their new payment amount and that the interest rate would end on 31 December 2026.

Miss E and Mr R complained because they were unhappy with the rate switch process. HSBC said Miss E and Mr R, when applying for the new fixed rate online, had asked for the new rate to apply on expiry of the existing fixed rate. The new fixed rate was, therefore, applied from 1 April 2025. It noted that Miss E and Mr R would have needed to pay an early repayment charge if they had ended their previous fixed rate early. And it said the £999 product fee was paid to secure the new rate. Finally, HSBC said all its fixed rates come with a fixed end date and for the applicable rate that's December 2026.

Miss E and Mr R raised further points to reiterate their concerns about the rate switch process. HSBC remained of the position that it hadn't made an error.

Miss E and Mr R referred their complaint to the Financial Ombudsman Service. Our Investigator found that HSBC had made a mistake within the payment schedule section of the rate switch mortgage illustration. But, overall, he didn't think Miss E and Mr R would be in a materially different position but for that mistake. He concluded that they had not, therefore, incurred a loss and that the complaint shouldn't be upheld.

Miss E and Mr R disagreed and asked for an Ombudsman to review their 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.

I've also taken into account relevant the rules and regulations. And having done so I find that I agree with the outcome reached by the Investigator, and for broadly the same reasons. I'll explain why.

Miss E and Mr R ported their mortgage to a new property in October 2022. I've seen a copy of the mortgage offer from that time, and I can see they took out additional borrowing at a fixed rate of 6.04% - this is the part of the mortgage I have referred to as part one. The offer document sets out that the interest rate will be fixed until 31 March 2025. The payment schedule within section five of the offer also says, "After 29 months the Fixed Rate Period on your Mortgage Loan [part one]...will end..." The offer also set out that an early repayment charge ('ERC') would apply to this part of the loan if it's repaid before the fixed rate ended.

It's not unusual for promotional interest rates (such as fixed rates) to have a fixed end date, regardless of the date they are applied to a mortgage. That could potentially mean the earlier the product is applied to a mortgage, the longer that customer receives the benefit of that product. And the opposite would be true the later that product is applied to a mortgage – the benefit of the product will be for a shorter period.

I don't consider it's unfair that promotional products have a fixed end date. My understanding is that this forms part of how those products are priced. However, the information provided by HSBC should be clear, fair and not misleading.

Having considered this, I'm satisfied the end date was clearly set out within the mortgage offer in 2022 – in line with the rules and standards in place at the time. So, I'm unable to agree with Miss E and Mr R that they were unfairly locked into their previous interest rate until 31 March 2025. That end date formed part of the terms they agreed to in 2022.

I've seen extracts of HSBC's online switch process which allows a customer to choose when they want the new interest rate to apply – either on expiry of the existing rate or immediately. Under the option to switch immediately, HSBC's online system sets out the amount of the applicable ERC. If Miss E and Mr R had chosen the option to switch "now", in October 2024, they would have been charged an ERC. I consider the information within HSBC's online process would have made this clear to them before they decided to proceed.

Incurring an ERC isn't something Miss E and Mr R have said they were expecting to happen when taking out the new rate. In fact, they argue that an ERC shouldn't have applied at all to the old interest rate beyond October 2024. So, on balance, I find it most unlikely they would have chosen to pay an ERC at the time, which was required for them to be able to have a new rate immediately. In all the circumstances, I think it's more likely than not that they chose for the new interest rate to apply on expiry of the existing one. I do not, therefore, require HSBC to backdate the new fixed rate to apply from October 2024 – because the existing rate was due to remain in place until 31 March 2025.

In terms of the product fee, I'm satisfied it's set out clearly in the 2024 rate switch illustration, and during the online process, that this would be added to the loan on acceptance of the offer. The only alternative, if Miss E and Mr R didn't want to pay the fee, was to not go ahead with the rate switch. That would mean the product hadn't been secured leaving Miss E and Mr R open to potential interest rate changes. I appreciate Miss E and Mr R feel that the product fee shouldn't have been charged until they were receiving the benefit of the new rate. And that as the product fee was charged it means the new fixed rate should have begun at the same time. But I'm afraid I'm unable to agree with their expectations.

Mortgage lenders can charge a fee to their customers to secure an interest rate product –

this isn't unusual or unfair. When the product fee was added to Miss E and Mr R's mortgage they were, from that point, receiving the benefit of having secured that interest rate. The fixed rate they'd secured would not change regardless of any interest rate changes that might occur before their existing rate came to an end – for example, if HSBC had decided to increase the fixed rates it was offering during that time.

There isn't anything wrong with the way in which HSBC applied the product fee so that Miss E and Mr R could secure the interest rate product they'd chosen. It was in line with the product switch agreement. And so, I do not consider the application of the product fee was unfair or unreasonable. Miss E and Mr R were also free to review the interest rates HSBC had on offer and choose a new deal before their new rate was applied, with a refund of any product fees already paid – as set out in HSBC's reminder letter it sent in October 2024.

Looking further at the rate switch illustration from October 2024 and the information Miss E and Mr R would have seen when making their application online, I'm satisfied the end date of the new fixed rate was set out clearly. The rate switch illustration, for example, sets out in section two and three that the rate would be fixed until 31 December 2026. It defines this as the 'Fixed Rate Period'. And although the online process would have said "2 Year Fixed" it would also have shown, at several points before Miss E and Mr R chose to proceed with the rate switch, that the rate was fixed until 31 December 2026.

I've taken into account the Consumer Duty outcome of consumer understanding, which came into effect from 31 July 2023 and builds on existing regulatory obligations for HSBC to communicate in a way that's clear, fair and not misleading. Having done so, I consider Miss E and Mr R were given the information they needed to make an informed decision.

I'll turn now to Miss E and Mr R's concerns about the 'Payment schedule' section of the offer. It sets out the payment amount for the first month, and then the monthly payments following that. It says that after 22 months, the Fixed Rate Period on the loan will end. But as the illustration assumed that the rate switch would apply from 1 April 2025, I can see why this seems unclear.

Calculating it from the month of April 2025 to the month of December 2026, there would be 21 payments at the new fixed rate during that period. It's possible that when calculating the payments by counting days between payments, considering that the rate starts on the first day of a month and ends on the last day of a month, that Miss E and Mr R will need to make 22 payments at the new interest rate. But this is still one month less than the illustration suggests. In my view, this appears to be a mistake with the illustration. But even if it is, I don't consider that it changes the overall outcome in this case.

If I were to conclude that HSBC made a mistake in the payment schedule, it doesn't mean it should extend the period for which the interest rate will apply. The product Miss E and Mr R applied for has always had an end date of 31 December 2026. That end date information was presented clearly to them at several points during the process. So, even if I concluded HSBC should have set out the payment schedule differently, it would only be to match the correct end date of 31 December 2026 more clearly. There would never have been a situation in which Miss E and Mr R would be entitled to the new interest rate lasting beyond December 2026. So, it wouldn't be fair for me to require HSBC to offer that to them.

I appreciate this will come as a disappointment to Miss E and Mr R, but for the reasons I've explained above, I can't fairly require HSBC to do anything differently in this complaint. I'm satisfied Miss E and Mr R were never entitled to benefit from the new fixed rate for a longer period. And that their previous interest rate didn't last longer than it should have done. So, I don't consider I can fairly uphold this complaint.

**My final decision**

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss E and Mr R to accept or reject my decision before 17 December 2025.

Keith Barnes  
**Ombudsman**