

## The complaint

Mr P complains that HSBC UK Bank Plc unfairly declined his application to port or transfer his mortgage to another property and to take additional borrowing.

## What happened

Mr P had a mortgage with HSBC for £254,850. The mortgage had a fixed interest rate of 2.49% until 31 July 2027.

In January 2025, Mr P applied to HSBC to port his mortgage to a new property and to borrow an approximately £80,000 more. The application was declined. At HSBC's suggestion Mr P obtained a copy of his credit file and sent it to HSBC. But it said that did not make any difference to its decision.

Mr P obtained a mortgage with another lender for the amount he wanted and repaid the HSBC mortgage. He was charged an ERC of around £5,000. Mr P does not consider that HSBC has treated him fairly or acted in line with the consumer duty – in particular to avoid causing foreseeable harm and to enable and support customers to achieve their financial objectives. He wants HSBC to refund the ERC.

The investigator thought the complaint should be upheld. But when I looked at things I did not agree. I explained my reasons why to Mr P.

Mr P did not accept what I said. He responded to make a number of points, including:

- He did not understand how me or HSBC could say that changes to the amount of lending or term would have affected the credit score or lending decision.
- He was refused advice because his decision in principle was declined.
- If the application had been approved he would not have needed advice from HSBC.
- At no point was he given the opportunity to speak with an adviser at HSBC and find an appropriate solution. If he had been the adviser would have been able to explain that it is not his credit score that is the issue.
- It is not unreasonable to ask for help from a lender to find a solution so that a mortgage application can be approved, whether by reducing the term or increasing the deposit. He had options but he was not given the opportunity to discuss them with anyone.
- He appreciated the outcome may have been the same if he had been given advice, but neither I nor HSBC can confirm there would have been no set of parameters that met HSBC's appetite for risk. So we can't therefore reject his complaint.
- He accepted that he made an application using the original amount borrowed but it was still declined and a message came up about credit scoring. He should be able to get a mortgage approved on the amount he originally borrowed.

- I could not say that the application would not have been successful even if it had been approved in principle.
- There was no evidence that HSBC attempted to prevent foreseeable harm. It could have done so by allowing him to speak to an adviser.

### **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 P was looking to borrow more money. Therefore, it was reasonable for HSBC to assess his application as it would for any other borrower. Like many lenders HSBC carries out a credit scoring exercise to determine if a borrower meets its lending criteria.

While the credit score will take into account a borrower's credit history, that is not all it will consider. HSBC has told us that credit scoring takes into account a number of factors including all of the data input when processing the application, data from the credit file and the past behaviour of the account. Even if there is no adverse credit, lenders will likely consider all of the information on a credit file such as overall level of indebtedness, time on electoral roll and credit searches.

HSBC has provided evidence to support that the reason the application was declined because it failed credit scoring – not any other reason. And that is the reason it gave Mr P. That is in line with the requirements of MCOB 11A.33 – a lender must tell a consumer that their application has been declined and that the decision is based on automated processing of data. It follows that there was nothing to prevent HSBC declining the application using an automated credit scoring system, the relevant rules allow for that.

HSBC said there is no simple or single reason why Mr P failed the credit scoring exercise. The credit score is set based on its overall appetite for risk and an affordability assessment. It said that it is unable to provide any detail about the specific reason why Mr P was declined. But I accept it is likely to be a combination of all or a number of different factors rather than a specific reason. Therefore I don't consider HSBC acted unfairly in not giving Mr P any more information than it did about why the application was declined.

In saying that, in its final response HSBC said that the high loan-to-value and the maximum term were likely to be factors in Mr P's credit score exercise. But, bearing in mind everything it has told us, it does not follow that any changes to those things would have resulted in the application being approved.

HSBC has said that even if it had suggested amendments, there were likely potential drawbacks. For example, extending the term increases its risk and the overall cost to the borrower and reducing the term increase the cost to the borrower. And again, it is unable to identify a single or specific reason why Mr P failed the credit score. So, in the individual circumstances of this complaint, I don't consider it likely that even if HSBC had given Mr P advice when the application was declined that it could have given him any real help so that his application would be approved. In view of that I do not consider it was unfair or unreasonable for HSBC not to give Mr P any further advice.

It was always open to Mr P to adjust his application and submit another application. But the fact that when he did so for a lower amount based on his original borrowing, he also failed the credit score, makes it less likely, in my view, that he could have made a successful application even if he had amended his requirements. I'd note that lenders are required to carry out an affordability assessment based on committed and basic essential expenditure

and stress test against future interest rate rises. That is likely to have changed significantly since Mr P took the HSBC mortgage in 2022. And HSBC can change its lending criteria if it wishes.

For completeness, I would add that if Mr P was simply porting his existing borrowing then HSBC had the ability to waive its usual affordability checks. But that is not what Mr P wanted to do. And the application would need to have been made on the basis that Mr P was transferring his existing balance at the time of the application – not the original amount of borrowing. That would involve increasing his borrowing from what it was at that point in time.

I note the points that Mr P makes about the consumer duty. But HSBC was not required to prevent all harm and it set out clearly that it would assess any porting application against its criteria. I'm satisfied that it was reasonable for it to believe that Mr P had accepted the risk that any future application was subject to its approval when he took out the mortgage.

I do not agree that HSBC would be required to offer Mr P advice to help him pass the credit score to avoid harm. I've explained why in the circumstances the help HSBC could realistically offer Mr P was limited. In that case, there was the potential for greater harm to Mr P if HSBC led him to believe that it would be able to help him get the decision changed, bearing in mind that would cause additional inconvenience and likely raise his expectations.

Ultimately, I don't consider HSBC has treated Mr P unfairly. It has considered his application as it would any other, but he did not pass its automated credit scoring. HSBC is entitled to set its own lending criteria and appetite for risk. I am satisfied it applied its policy fairly in this case. It is not for me to interfere in that or to say that it should adopt a different criteria or attitude to risk.

Mr P decided to repay the mortgage and HSBC applied the ERC in line with the term of the mortgage he'd accepted. While I understand why Mr P is unhappy he's had to pay the ERC, I don't consider that HSBC could fairly be required to refund it in the circumstances here.

### **My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 20 February 2026.

Ken Rose  
**Ombudsman**