

The complaint

Miss B and Mr L complain that HSBC UK Bank Plc made errors with their monthly mortgage payments, resulting in them making underpayments for about 18 months. After Miss B spotted the error, HSBC asked them to make higher monthly payments.

Miss B has dealt with the complaint. She asks that HSBC honours the lower payments for the remainder of the term, as this is the basis on which they've budgeted.

What happened

Miss B and Mr L took out a new interest rate product in early 2024. They'd recently extended the term of the mortgage to make payments more affordable.

In June 2025 Miss B noticed the monthly payments weren't covering the interest and the mortgage balance was increasing. She contacted HSBC as she thought it might have miscalculated the interest. As it wasn't clear what had happened, HSBC raised a complaint on behalf of Miss B and Mr L.

HSBC says it made an error. The interest rate was correct. But its systems didn't update with Miss B and Mr L's new monthly payment in early 2024. HSBC didn't increase their direct debit and the letters it sent to them set out an incorrect monthly payment. As a result, Miss B and Mr L made underpayments between March 2024 and July 2025, which together total about £4,500.

HSBC adjusted Miss B and Mr L's mortgage account as if their monthly payments had been paid in full and paid £500 compensation for the upset and inconvenience caused to Miss B and Mr L. It corrected the monthly payment and direct debit to reflect the correct monthly payments from September 2025 onwards.

Miss B says she was about to take extended leave from work and they'd budgeted based on what she believed their outgoings to be. She says she's worried about affording the higher payments and found the matter stressful. She asks that HSBC honours the lower payments for the remainder of the term. Miss B says HSBC made an error, and it's only because she spotted the error that they're being required to make higher payments.

Our investigator said HSBC had taken steps to put Miss B and Mr L into the position they ought to have been in, had it not made an error. HSBC adjusted the account to show it as up to date (HSBC funded the underpayments) and corrected the monthly payments going forward. The investigator said £500 compensation was fair for the upset caused.

Miss B and Mr L didn't agree this was a fair outcome.

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.

Miss B and Mr L's mortgage was ported with additional borrowing, and is in two parts (with

different interest rate products). There were changes to Miss B and Mr L's mortgage in early January 2024, including an increase in the term intended to reduce the amount of their monthly payments. Following this, Miss B and Mr L took out a new interest rate product.

Miss B chose a fixed rate of 4.53% and HSBC issued a mortgage rate switch offer on 29 January 2024, which Miss B and Mr L accepted.

There was an error that meant HSBC's systems didn't update with Miss B and Mr L's new monthly payment. The direct debit continued to collect the (lower) amount they'd been paying prior to the rate switch. The letters HSBC sent to Miss B and Mr L set out an incorrect monthly payment. Miss B and Mr L unknowingly made underpayments for about 18 months.

By the time Miss B contacted HSBC and the error came to light, the underpayments totalled about £4,500. That's a significant amount and I can understand Miss B and Mr L were upset to be told they owed this amount of money. To put matters right, HSBC adjusted the mortgage to show it as up to date. In effect, HSBC paid the underpayments on behalf of Miss B and Mr L. That put the mortgage account into the position it would have been in if HSBC's systems had updated properly in early 2024 and Miss B and Mr L had made the correct (higher) payments each month since then. I think that's fair.

I don't think it's fair and reasonable to require HSBC to allow Miss B and Mr L to continue to make underpayments.

Miss B and Mr L chose and accepted an interest rate product in early 2025. They need to make monthly payments sufficient to cover the interest and make a capital repayment, to ensure their mortgage is repaid by the end of the term

If Miss B and Mr L continue to make underpayments, they won't be on track to repay their mortgage by the end of the term. If their payments are less than the interest being applied, their mortgage balance will increase. A higher balance would mean they'd pay more interest over the life of the mortgage. The only way they could avoid this would be for HSBC to apply a lower interest rate. I don't think it's fair to require HSBC to apply a lower interest rate that isn't generally available to its customers.

Miss B said they are only required to make the higher payments because of the error by HSBC which she spotted. She said if she hadn't spoken up they'd have continued to make lower payments and wouldn't be penalised by having to pay an additional £200 each month.

I must be clear that the higher payments are not due to any error. These are the correct monthly payments that Miss B and Mr L agreed to when they took out the product, and which they need to make to ensure the mortgage is repaid by the end of the term.

HSBC funded the underpayments in mid-2025 on the basis it made an error that meant Miss B and Mr L *unknowingly* made underpayments due to its error. I think the steps taken by HSBC to put Miss B and Mr L into the position they'd have been in if there hadn't been an error were fair. It doesn't make a difference if the error was spotted by Miss B or HSBC.

Miss B said the new monthly payments were not set out clearly in the product switch offer. She said she wouldn't have taken out a rate with these monthly payments unless they thought the term extension would significantly reduce the payments.

If the only change to Miss B and Mr L's mortgage in early 2024 had been the interest rate, it might have been more obvious to them that there was a problem. They'd reasonably expect their monthly payments to increase after the interest rate increased. However, the term extension also affected the amount of the monthly payments. I appreciate that this confused

matters.

However, the term extension was in place before Miss B applied for the new product. The product switch offer issued on 29 January 2024 set out the monthly payments for both parts of Miss B and Mr L's mortgage under the heading "5. *Amount of each instalment*". So HSBC did tell them how much they needed to pay each month (about £1,600) before they agreed to the terms of the product.

If Miss B and Mr L hadn't taken out a new product they'd have been on the standard variable rate – which would have meant higher monthly payments. Given that they extended the term in early 2024 in order to reduce their monthly payments, I don't think they'd have chosen to stay on the standard variable rate.

I have to be fair to both parties. When Miss B and Mr L took out the mortgage they agreed to repay it and pay interest in the meantime. They agreed to the terms of the interest rate product they took out in early 2024, including the interest rate and monthly payments. I think HSBC has taken fair and reasonable steps to correct its error. I don't think it's fair and reasonable to require it to allow Miss B and Mr L to continue to make underpayments.

Miss B and Mr L had to make the correct (higher) payments from September 2025. I understand that this increase in their monthly mortgage payments came at a time when they needed to budget carefully. Miss B said HSBC should at least offer a grace period before they have to make the correct monthly payments.

HSBC offered to discuss with Miss B how it can help if the payments are not affordable. Miss B and Mr L can consider contacting HSBC if they are struggling with their monthly mortgage payments. Options might be available to Miss B and Mr L under the Mortgage Charter (such as a temporary switch to interest only payments). Or they can provide income and expenditure information so that HSBC can fairly consider what support might be appropriate.

There's no doubt that this did cause upset, especially as the error came to light at a time when Miss B and Mr L were budgeting for Miss B to take time away from work. HSBC paid £500 for the upset this caused. It funded the underpayments on behalf of Miss B and Mr L – about £4,500. Taking everything into account, I think £500 compensation is fair and reasonable for the upset and inconvenience caused by HSBC's error.

My final decision

My decision is that I do not uphold this complaint. That's because I think HSBC UK Bank Plc has done enough to put matters right.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B and Mr L to accept or reject my decision before 6 May 2026.

Ruth Stevenson
Ombudsman