

## The complaint

Mr R and Mrs R complain that HSBC UK Bank Plc unfairly declined to extend the term of their interest only mortgage. Mr R has dealt with the complaint. He asks that HSBC extends the term of the mortgage to 2031.

## What happened

Mr R and Mrs R took out a mortgage with HSBC in 2001 on an interest only basis. The term is due to expire in July 2026.

In late 2025 Mr and Mrs R applied for a term extension of about five years. HSBC declined on the basis of affordability.

Mr R says this was unfair. He says HSBC applied a blanket policy and didn't take their individual circumstances, such as income, pension and overall wealth into account when assessing affordability. He says they have enough income and assets to meet the monthly payments and repay the balance. Mr R provided statements showing savings and investments in excess of the mortgage balance and explained his investment strategy.

In summary, Mr R says:

- HSBC didn't take all of his investments into account because of redactions on the documents provided. It didn't ask about Mrs R's pensions or investments. He said HSBC didn't understand his investment strategy. He said his investment strategy will repay the mortgage capital, allow him to clear all his other liabilities over five years, and pay himself an annual salary of £75,000 for managing his own investments, which meets HSBC's minimum income criteria.
- It's unfair for HSBC to have "one size fits all" affordability criteria. He says this is unfair to some customers (such as Mr and Mrs R) and is in breach of its duty to pay due regard to the interests of its customers and treat them fairly. For instance, Mr R says it's unfair for HSBC only to include taxed income or pension income evidenced on tax returns in its affordability assessment.
- HSBC breached the Equality Act 2010, due to their ages. He says its criteria is biased against customers over 60 years old who are asset rich but in or approaching retirement.

I sent a provisional decision to the parties explaining why I didn't intend to uphold this complaint. In summary, I said Mr and Mrs R were able to repay the mortgage at the end of the term and it wasn't fair to require HSBC to extend the term outside its usual lending policy.

Mr R didn't agree. He provided information about his ISA and SIPP accounts, which he says provide income that isn't shown on his tax return. Mr R has previously said he considers it unfair that HSBC only includes taxed income or pension income evidenced on tax returns in its affordability assessment. He said HSBC wasn't interested in his, or Mrs R's, income from ISAs or SIPPs.

Mr R said he and Mrs R don't intend to retire or draw taxable pension income until they are 70 years old. Mr R intends to continue working as the investment manager of his own financial assets. He says HSBC can waive the requirement for an affordability assessment under the exception in MCOB 11.6.3.

Mr R said under MCOB 11.6.3 and MCOB 11.7, an affordability assessment is only required for borrowers that increase the loan amount. Mr R says no affordability assessment is needed for them, as there's no increase in the loan amount or monthly payments as the interest rate won't change. Mr R said HSBC confirmed this in three calls in mid-April 2026.

Mr R said HSBC confirmed he'd booked an appointment with a mortgage adviser, before cancelling the appointment later that day without giving a reason. Mr R says he raised a new complaint about this.

### **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 R asked to speak to me. When I issued my provisional decision, I explained that isn't something we usually do, and I didn't need to speak to Mr R in order to reach a fair decision. I said if Mr R has additional information which he can only provide by phone, he can speak to our investigator or a colleague and I can listen to a recording of the call.

All parties have been able to provide additional comments, information and evidence throughout the time that the complaint has been with us. Both parties have responded to my provisional decision. I have enough evidence, comments and information available to me to reach a fair decision.

Mr R told us about his health conditions, including anxiety. I've kept this in mind when reviewing the complaint.

The term of Mr R and Mrs R's mortgage will expire in July 2026. Mr R provided statements that show savings and investments sufficient to repay the mortgage balance. Mr and Mrs R are able to repay the mortgage before the term expires. However, they want to extend the mortgage term for five years, as this better suits their plans. In effect, Mr and Mrs R want HSBC to wait for the money it lent to them to be repaid so that they can use it elsewhere.

While I'm sorry to disappoint Mr and Mrs R, I don't think it's fair and reasonable in the circumstances to require HSBC to extend the term of their mortgage outside its usual lending policy.

Rules on mortgage regulation (set out in the regulator's handbook under Mortgages and Home Finance: Conduct of Business sourcebook or MCOB) require HSBC to carry out an affordability assessment before agreeing to extend the term or offer a new mortgage to Mr and Mrs R. There are limited exceptions to this.

It's not clear to me that HSBC considered whether an exception might apply here. But I don't think the outcome would have been different if it had done so.

HSBC could have considered whether to apply the alternative provisions for high net worth mortgage customers in MCOB 11.6.34 to 11.6.38, instead of the provisions in MCOB 11.6.5 to 11.6.19. This is provided that Mr and Mrs R met the definition of high net worth customers. Using the alternative provisions for high net worth customers would have given HSBC the flexibility to base its affordability assessment on Mr and Mrs R's assets *or* income (or both).

However, MCOB 11.6.33 says HSBC “may opt to apply these rules”. It’s not required to do so.

Mr R says the exception in MCOB 11.6.3 applies as neither he nor Mrs R intend to retire before they are 70 years old (I assume this would be after the end of the term extension they requested). Mr R also says they don’t intend to increase their borrowing and there will be no other changes (such as a change in the applicable interest rate or monthly payments) that would be material to affordability.

I said in my provisional decision that the exception in MCOB 11.6.3 doesn’t help Mr and Mrs R. It only applies if there’s no change to the mortgage which is likely to be material to affordability. MCOB 11.6.4 says that where a lender reasonably expects a term extension to go into, or further into, retirement the lender has to treat the change as material to affordability. It’s not necessarily the case that the change isn’t material to affordability just because Mr and Mrs R intend to retire after they are 70 – although I note what Mr R says about not taking out further borrowing or changing the basis of the interest rate. But even if the exception does apply, that doesn’t mean that HSBC can’t assess affordability, it only means that it’s not required to do so.

It’s possible that the exception in MCOB 11.7.1 might apply here if Mr and Mrs R haven’t increased their borrowing since April 2014 and the term extension would be in their best interests. If the exception does apply, that doesn’t mean HSBC can’t carry out an affordability assessment. It only means that it doesn’t have to do so, and can still agree to extend the mortgage despite concerns about affordability if an extension would be in Mr and Mrs R’s best interests. However, best interests isn’t necessarily the same as what a customer wants. And affordability remains relevant. It’s unlikely to be in a customer’s best interests to extend a mortgage if they might struggle to maintain payments.

I think it was fair for HSBC to carry out an affordability assessment under MCOB 11.6.5 to 11.6.19. As Mr and Mrs R want to borrow on an interest only basis, this included assessing the affordability of monthly interest payments and whether they have a credible repayment strategy to repay the capital at the end of the term.

Mr R says his investments yielded an annual return of more than £100,000. He says the untaxable income is automatically reinvested. He says it’s unfair that HSBC excludes his untaxable income/investment returns by basing its income assessment on tax returns.

HSBC said it assessed Mr and Mrs R’s assets, income and financial commitments in accordance with its policies. It said it had to assess the application on the basis of the income it could evidence. Having done so, it said it couldn’t offer the term extension. It said Mr and Mrs R’s application didn’t meet its lending policy and affordability assessment.

HSBC’s underwriters reviewed this decision after Mr R raised a complaint. It confirmed the application was declined based on affordability and what it could evidence from the documents provided.

I think it’s fair and reasonable for HSBC to ask customers for evidence to support what they say about their income, assets and financial commitments. I think it’s fair and reasonable for HSBC to ask customers to provide documents in the original, unaltered format. Here, HSBC told Mr R that its underwriters had considered all of the documents he provided, including those with redactions. Despite this, the application didn’t meet its affordability criteria.

HSBC paid £100 compensation for any concern caused that documents provided by Mr R were not uploaded promptly. I think that’s fair and reasonable. I don’t think it’s fair and reasonable to require HSBC to pay compensation for any upset and inconvenience caused

by it asking for unaltered documents.

HSBC assessed the application based on the information and evidence it received about Mr R and Mrs R's income. The evidence provided – tax returns – only show income for two years when HSBC usually requires three years, and the amount of the income is significantly below the £75,000 minimum annual income.

If Mrs R had additional income that might have helped Mr and Mrs R meet HSBC's affordability criteria, it's not clear why Mr and Mrs R didn't provide evidence of this. I don't think this was due to an error by HSBC.

HSBC has policies and processes in place to ensure it meets rules on mortgage regulation. It's entitled to make a commercial decision about its risk appetite and to have policies and lending criteria in place that reflect this. I think it was fair for HSBC to apply its policies and lending criteria when it assessed Mr and Mrs R's application. HSBC has to pay due regard to the interests of its customers and treat them fairly. That doesn't mean it has to offer lending outside its criteria and policies.

Mr R says he's experienced in managing investments and provided a copy of his CV. He says he has an investment strategy that will enable him to repay the mortgage and all other commitments and pay himself an income over the next five years. Mr R says he can pay the mortgage immediately but doesn't want to as the funds are part of his liability management.

Mr R says they are "asset rich". He provided statements that show sufficient savings and investments to repay the mortgage balance before the term expires in July 2026. It seems to me that repaying the mortgage before the term expires will not cause Mr and Mrs R financial hardship. They don't need to wait for a future event (such as an investment maturing or getting access to a pension lump sum) to be in a position to repay the mortgage.

I appreciate that Mr R is confident about his investment strategy. But HSBC can't be certain that Mr and Mrs R would still be in a position to repay the mortgage (without hardship or selling the property) after a term extension. And in any case, I'm not persuaded a term extension was necessary, because Mr and Mrs R have sufficient assets to be able to repay the mortgage in full at the end of the agreed term in 2026.

Taking all of this into account, I don't think HSBC had fairly to waive an affordability assessment or consider whether to extend the mortgage term under MCOB 11.7.1, despite the application not meeting its affordability criteria, on the basis this would be in Mr and Mrs R's best interests. And while it could have considered the application under the high net worth rules it wasn't obliged to do so.

Mr R says HSBC breached the Equality Act 2010, due to their ages. He says HSBC applied a blanket age restriction and a blanket lending policy, which is biased against customers over 60 who are asset rich but who are retired or near to retirement.

We can't make findings as to whether a business has breached the Equality Act – that's for a court to decide. I do take relevant law into account when deciding if a business has acted fairly.

I haven't seen evidence to persuade me that HSBC applied an age restriction, declined Mr and Mrs R's application on the basis of age or unfairly excluded pension income (or any other income). I think it's fair for HSBC to ask Mr and Mrs R to provide evidence of income and a credible repayment strategy, just as it would for any other customer in the same position. And I'm not persuaded Mr and Mrs R were indirectly disadvantaged because of their ages either. HSBC does take into account incomes from non-employment sources

(such as pensions and investments). The issue in this case is that it wasn't persuaded the evidence of income it actually received was enough to show the borrowing was affordable, applying the standard affordability assessment. Based on the evidence it received, HSBC declined Mr and Mrs R's application because it didn't meet its affordability criteria. I don't think this was unfair.

Mr and Mrs R are able to repay the mortgage before the term expires, and I think it's reasonable for HSBC to expect them to do so – as they agreed to do when they took out the mortgage. HSBC doesn't have to agree to a term extension simply because Mr and Mrs R want to keep the money and use it elsewhere. Given that Mr and Mrs R can repay the mortgage without financial hardship, I think it was fair for HSBC to apply its usual affordability criteria to their application for a term extension. I don't think it needed fairly to consider whether it could apply an exception, alternative provisions or forbearance in order to extend the mortgage outside its usual affordability criteria.

Mr R said HSBC confirmed in three calls in mid-April 2026 that the exceptions in MCOB 11.6.3 and 11.7 apply to them so that no affordability assessment is required. He said HSBC confirmed he'd booked an appointment with a mortgage adviser, before cancelling the appointment later that day without giving a reason. Mr R says he raised a new complaint about this. These are new matters that were not part of the complaint that Mr and Mrs R brought to us. I can't fairly look into them here. Mr and Mrs R should raise their concerns with HSBC – as Mr R says he has done – and give it an opportunity to respond.

### **My final decision**

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R and Mrs R to accept or reject my decision before 29 May 2026.

Ruth Stevenson  
**Ombudsman**