

complaint

Mrs J complains that HSBC Bank Plc won't extend the term of her interest only mortgage.

background

Mrs J has an interest only mortgage, taken out in 2006. The term is due to end this month, at which point Mrs J will have to repay the capital.

Mrs J says she's trapped. As an interest only customer, she can't go elsewhere. She can't afford a repayment mortgage over a realistic term. She has a repayment strategy (some investment properties) but would like to extend the term until October 2020 as that's when she says she'll be in a position to repay the mortgage without needing further borrowing. HSBC said it's willing to grant Mrs J a further two years, but only if she puts her house on the market now.

Our adjudicator thought HSBC hadn't treated Mrs J fairly, saying the mortgage should be extended until October 2020 without her needing to sell her house. At that time she should be in a position to fully repay all her debts whilst remaining in the family home she built over 30 years ago.

HSBC didn't agree and so the matter's been passed to me to decide.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Mrs J wants to extend the term to give time for her investment properties to realise sufficient funds to repay all her mortgage debts. If she sold them now she wouldn't be debt-free. The only other way Mrs J can repay the debt now is if she sells her family home (as HSBC wants her to). As she built it over 30 years ago as a family home Mrs J understandably doesn't want to do that.

Mrs J was already retired when the mortgage was arranged. So HSBC isn't being asked to take on any increased risk in relation to lending into retirement. One of the investment properties has a repayment mortgage, which is due to end in October 2020. And Mrs J is already overpaying £200 a month to her HSBC mortgage, which she intends to maintain. She says she'll sell the first investment property when its mortgage term ends in 2019 and use the proceeds from that (after repaying the linked mortgage) to reduce this HSBC mortgage. Then after the mortgage ends in October 2020 Mrs J intends to sell the remaining investment property and use the proceeds from that to repay the rest of the HSBC mortgage. This will leave her debt-free and in a comfortable position to enjoy her retirement.

This seems a reasonable request and I see nothing to stop HSBC agreeing to it. Both investment properties have long-term tenants, but if one ever left the property Mrs J could undertake to sell the property then. But for now her tenants are covering the mortgages so Mrs J doesn't have to contribute towards them. Mrs J isn't asking for an indefinite term extension, just a further four years to enable her to be debt-free in her 80's.

I agree with the adjudicator that HSBC should also pay £500 compensation for the trouble and upset its refusal caused.

my final decision

For the reasons I've given, my final decision is that I uphold this complaint and direct HSBC Bank Plc to extend the term of Mrs J's mortgage to 31 December 2020 (to give Mrs J time to sell the second investment property after the mortgage ends). I also order HSBC Bank Plc to pay £500 to Mrs J.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs J to accept or reject my decision before 22 September 2016.

Julia Chapman
ombudsman