

The complaint

Mr B complains about his experience when trying to make an overpayment towards his mortgage with HSBC UK Bank Plc (HSBC).

What happened

Mr B has a mortgage with HSBC, payable on interest only terms. His current mortgage offer dated 16 September 2014 says that the mortgage is on a lifetime tracker rate of 1.49% above the Bank of England base rate. The mortgage offer says there is no early repayment charge (ERC) applicable on the mortgage.

In June 2023, Mr B wanted to make a lump-sum overpayment of around £94,000 to his mortgage in order to reduce the amount of his contractual monthly payments (CMP). But before doing so, he wished to speak to HSBC to ask whether he would be liable to pay an ERC.

Mr B tried to call HSBC four times between 24 June 2023 and 29 June 2023 but was unable to get through. He also says he tried to speak to HSBC via its online chat but was unable to.

On 1 July 2023, Mr B managed to speak to an adviser and arranged to transfer the funds to make the overpayment. Mr B was unhappy that he was told the CMPs wouldn't be recalculated to reflect the overpayment until the following month. He felt that, as he'd called on 1 July, the CMP should reduce for the same month. And he was also unhappy because he'd withdrawn all but £1 from his ISA to make the overpayment and therefore says that he lost out on the benefit of earning interest on those funds for July.

Mr B subsequently complained to HSBC. He didn't feel HSBC was being reasonable and asked it to manually recalculate his payment for July and refund any excess interest charged to the value of £520.53. HSBC didn't uphold his complaint and said that the information given to him during the July call was correct.

Mr B wasn't satisfied with HSBC's response and referred his complaint to our service.

Our investigator considered Mr B's complaint and didn't uphold it. He explained that the mortgage terms and conditions state that the interest is charged in arrears monthly. And he said that the mortgage offer sets out that Mr B wouldn't be liable for an ERC.

Mr B didn't accept our investigator's view. He said that he tried multiple times to confirm that he'd be able to make the overpayment without paying an ERC and he would've made the payment sooner if he'd been able to speak to someone. As such, he didn't feel the investigator's outcome was fair.

As Mr B didn't accept our investigator's view, he asked for an ombudsman to review the case and make a final decision.

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.

Having done so, I don't think this complaint should be upheld. I realise this might be disappointing for Mr B. But I hope the reasons I've set out below will help him to understand why I have come to this conclusion.

Mr B has demonstrated that he tried to call HSBC between 24 and 29 June 2023. I can see he stayed on the line for between 10-25 minutes on each call. As Mr B was calling from abroad, I appreciate why he may have found the wait times frustrating. But longer wait times to speak to someone about a mortgage aren't unusual at the moment – given that mortgage lenders are especially busy at this time due to the current financial climate. It follows that I can't reasonably hold HSBC responsible for events outside of its control that led to longer than usual wait times.

Mr B also says he tried to contact HSBC via their online chat service. Neither he, nor HSBC, have provided any evidence explaining why he was unable to speak to someone. I suspect it's likely to be for the same reason I mentioned above.

In any event, Mr B's September 2014 mortgage offer clearly sets out under section 10 that there are no early repayment charges.

Mr B spoke to HSBC on 1 July 2023 and arranged the overpayment. He's unhappy that it was too late for his July payment – due soon after – to be recalculated. I've read the terms and conditions applicable to Mr B's mortgage. Mr B agreed to these terms and conditions when he accepted the mortgage offer. And I've found that the way Mr B's interest is calculated isn't unusual, as many lenders use this method.

Section 5.3 of the terms and conditions states that "*We calculate interest on the daily outstanding balance of the mortgage debt*". Section 5.4 goes on to say that "*We charge interest in arrears monthly*".

This means that Mr B's interest is calculated daily but charged the following month. For example, In July Mr B would pay the interest his mortgage accrued over the month of June. It follows that even if Mr B was able to speak to HSBC on 24 or 25 June (before July's payment entered the billing cycle) his July payment wouldn't have been as low as he expects. This is because the interest would've accrued daily on the higher balance throughout most of June until the overpayment was made. Then following the overpayment, the accrued interest would have been lower for the remaining few days of June.

On this occasion though, as Mr B made the overpayment on 1 July 2023, the interest calculated during June was charged in his July payment. And then the interest accrued on the lower balance throughout July was charged in August's payment.

Altogether, I'm satisfied that HSBC calculated Mr B's CMP in line with the terms of his mortgage contract and therefore I don't find that it treated him unfairly by doing so.

Mr B transferred the funds from his ISA account to facilitate the overpayment. And, consequently, he feels that he lost the opportunity to earn interest in July 2023 whilst also missing out on the benefit of a lower CMP in the same month. However, I'm not persuaded that Mr B has lost out in the way he describes. As I've explained, interest is calculated daily on the outstanding balance, so Mr B did benefit from a lower amount of interest charged on

his reduced balance from 1 July 2023. And in line with the terms of his mortgage, that benefit would be seen in the August payment.

And for the reasons I've explained, I don't hold HSBC responsible for any further potential loss of interest as I don't see that it's made an error or acted unreasonably in this case.

My final decision

My final decision is that I don't uphold Mr B's complaint against Bank of Scotland trading as Halifax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 5 April 2024.

Arazu Eid
Ombudsman