

## The complaint

Mr and Mrs B are unhappy that HSBC wouldn't agree to automatically extend their interest only mortgage for two years after the original mortgage term had expired.

## What happened

Mr and Mrs B's residential mortgage began in 2008. The agreement was for borrowing on interest only terms over 15 years. The mortgage was due to be repaid in 2023.

In the lead up to the mortgage expiry, Mr and Mrs B had a number of interactions with HSBC about the mortgage. They were sent forms asking them to confirm their plans for repayment, which Mr and Mrs B completed and returned to HSBC. Mr and Mrs B indicated they had two Buy-to-Let (BTL) properties that could be sold with the funds used to repay the capital, but that their intention was to extend the mortgage. Mr and Mrs B also had a number of telephone conversations with HSBC about their plans.

In June 2023 Mr and Mrs B contacted HSBC to explain they'd initiated the sale of one of their BTL properties, that this would leave a much smaller remaining balance, and that they wanted to extend the remaining mortgage for two years as had previously been discussed.

HSBC said it wouldn't agree to automatically grant an extension, because Mr and Mrs B had the means to repay the loan in full. Mr and Mrs B complained about the situation.

In reply, HSBC said (in summary) that it was sorry Mr and Mrs B were unhappy with the situation, but that its procedures could change over time. It said that Mr and Mrs B had been made aware in 2022 that a term extension wouldn't be automatically granted and they had been given an indication then of what would be required to consider this.

Mr and Mrs B remained unhappy and referred their concerns to the Financial Ombudsman Service. An investigator here issued their assessment of the case. In summary, they said Mr and Mrs B had been made aware in 2022 that an application would be required to extend the mortgage. They said they didn't think HSBC had acted unfairly when it wouldn't automatically extend the mortgage.

Mr and Mrs B remained unhappy. They said they had made it clear to HSBC over time of their intention for the mortgage to be extended and that they'd been advised by HSBC that this would be possible.

The case was passed to me to make a decision. In April 2024, the investigator shared my provisional thoughts with both parties. In this, I said:

*"The Ombudsman considers there are two key issues in this complaint:*

- The extent to which Mr and Mrs B were mis-led about the ease with which they could obtain an extension to the mortgage at the end of the term; and*
- Whether the position HSBC communicated to Mr and Mrs B in June 2023 (leading up to the complaint that was made), was reasonable.*

### The extent to which Mr and Mrs B were mis-led about being able to extend the mortgage

The Ombudsman says that it seems from the file three telephone conversations took place between Mr and Mrs B and HSBC, between January 2020 and October 2022, about their mortgage coming to an end. The Ombudsman has been able to listen to recordings of each of the calls.

In the call on 7 January 2020, Mr and Mrs B say they would probably look to extend the mortgage, if possible. On the basis they didn't want to have to sell the Buy-To-Let (BTL) properties at the end of the term. HSBC's agent tells Mr and Mrs B there is certain criteria for interest only mortgage term extensions (e.g. minimum salary requirements) and that Mr and Mrs B didn't seem to meet those criteria. The agent says that to extend the term, it would therefore be necessary to switch the mortgage to repayment. The agent offers to arrange an appointment for Mr and Mrs B to discuss this with an adviser, but Mr and Mrs B say they didn't think the process would be so onerous and that they didn't want to proceed down that path.

In the call on 10 August 2021, HSBC's agent explains that if Mr and Mrs B want to extend the mortgage, for example of 10 years, they can begin an application to do this. Mr and Mrs B question the need to go through a whole re-mortgage process. During the call, HSBC's agent tells Mr and Mrs B they have the option to speak to the financial support team who have the option to look to extend the mortgage by up to 2 years, without requiring a new application. The agent gives the impression this will be possible and although the scenarios they mention for context are all where someone needs more time to realise an asset (rather than has an asset and doesn't want to sell/use it at that time), they don't really add a caveat.

Given that this call is happening around 2 years before the end of the original term, Mr and Mrs B ask if they could just make the mortgage term 4 years at that point, i.e. arrange the extension then. HSBC's agent says this isn't possible and that the request for a 2-year extension would need to be made nearer to the end of the term. Thinking about the call as a whole, I can understand why Mr and Mrs B would've left this conversation with the impression that extending the mortgage for up to two years, would be straightforward and wouldn't necessarily require a new application to be made.

In the call on 13 October 2022, HSBC says it is calling to check on the repayment strategy at the end of the term. Mr and Mrs B say they have submitted several forms setting out their intentions. They also say they are aware they can extend their mortgage by two years and that this remains their intention. HSBC's agent explains there will need to be an application completed, which can take around 4-6 weeks. Mr and Mrs B say they were told in the last call that they could just ask for a 2-year extension without needing to go through an application. HSBC's agent clarifies that there would need to be an application, but that it would hopefully be straightforward.

Bearing in mind what was discussed during these calls, the Ombudsman considers that whilst Mr and Mrs B would've had the impression from the call in August 2021 that it would be straightforward to get a 2-year extension, in the call before that and (crucially) the call after, they're told it would be necessary to complete some kind of application.

This means that from October 2022, it should reasonably have been their expectation that an application would be necessary – as it was the last thing they were told.

### Was the position HSBC communicated to Mr and Mrs B in June 2023 reasonable?

The Ombudsman considers it important to set out that under the contract Mr and Mrs B agreed to when they originally took the mortgage out, they had agreed to repay the full

*amount at expiry. It follows that as a start point, it is neither unfair nor unreasonable for HSBC to expect full repayment at expiry.*

*HSBC's policy in June 2023 appears to be that any request for an extension to an interest only mortgage would need to be a new lending application. The Ombudsman considers that under the relevant rules (including MCOB 11.7.3), there are scenarios where a lender could (and potentially should) agree to an extension of an interest only mortgage without the need for a full new borrowing application. For example, if this was in the customer's best interests. A typical example of this might be where there was some kind of delay in them being able to repay the loan in full at the point of expiry – for example where it was taking longer than expected to realise an asset.*

*Mr and Mrs B's situation wasn't that they didn't have the means to repay the loan in full, rather they didn't want to have to – on the basis they wanted to retain their second BTL property. The Ombudsman considers that, whilst it is understandable that this was their preference, it was not the case that they couldn't repay the loan in full, rather they didn't want to have to. A customer's preference will not always equate to their 'best interests' and the Ombudsman considers that it doesn't here. Whilst Mr and Mrs B would be hoping their second BTL would appreciate and otherwise be economically advantageous, there were no guarantees of this. And, as already mentioned, Mr and Mrs B had agreed to repay the full balance at the end of the term.*

*Bearing all of this in mind, the Ombudsman doesn't currently consider that HSBC telling Mr and Mrs B that they'd need to do an application to extend the mortgage, was unfair or unreasonable.*

*For completeness, the Ombudsman appreciates that part of Mr and Mrs B's frustration is that they sent several forms back to HSBC setting out their intentions for repaying the mortgage and their desire for an extension. And that they feel HSBC was not responsive enough to this. However, thinking about the situation as a whole, including what was discussed during the phone calls described above, the Ombudsman doesn't consider this has a material impact on the outcome of the complaint.*

#### Putting things right

*This leaves this issue of what, if any, compensation is appropriate to reflect the distress and inconvenience caused to Mr and Mrs B by the mismanagement of their expectations by HSBC during and following (up to October 2022) the call in August 2021. HSBC has already offered £100 in compensation. Although Mr and Mrs B were told after the August 2021 call that an application to extend would be required, the Ombudsman does consider that what they were told in the August 2021 call would have contributed to some of the frustration experienced by Mr and Mrs B in June 2023. In the context of the overall situation, the Ombudsman currently considers that the £100 already offered is sufficient to reflect this."*

Both parties were asked to provide any further evidence and/or arguments by 26 April 2024.

HSBC responded to say it had nothing further to add. Mr and Mrs B responded with further points to be taken into account. In summary, they said:

- They agreed with what I'd said about them having been misled and there being conflicting messages from HSBC.
- They had been sure they'd been given the impression by documentation received from HSBC, that it would be possible to extend the mortgage at the end of the original term. Looking back at the documentation, they noted that the annual

statements they'd received includes the wording *"Based on your original offer document, the remaining term is X. Your Final Schedule repayment is 1 August 2023. If either your mortgage, the repayment vehicle or both **will continue beyond** (Mr and Mrs B's emphasis) your retirement age, it is important for you to ensure that you will be able to continue to meet regular payments."*

- They had taken this to apply to them in that they would be retired before the mortgage was settled and have the means to continue to meet regular payments.
- They'd received a letter in September 2013 in relation to the mortgage. This included a section (titled 'We're here to help') which said *"The balance of your mortgage loan needs to be repaid in full within 10 years. If you have any concerns or questions about repaying your mortgage by the end of the term call us now and we will work with you to find a solution which could include;*
  - o ***Reviewing the performance of any repayment strategy with a financial advisor.***
  - o ***Extending the term to match your repayment strategy."***

(Mr and Mrs B's emphasis)

- This reflected their situation exactly. They'd advised HSBC in numerous letters of their intentions to maximise the capital growth of the BTL properties. They are unsure what more they were supposed to do. HSBC had never responded to their letters to say there might be a problem.
- The first telephone conversation with HSBC had taken place in January 2019, not January 2020 as I had stated. They were told in that initial call that they could extend the mortgage with one year to go and everything could be taken care of nearer the time.

### **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.

I appreciate that Mr and Mrs B feel very strongly that they've been treated unfairly by HSBC. But having thought very carefully about everything they've said, my provisional findings (set out above and which should be considered part of this Final Decision) remain unchanged.

I still consider there are two fundamental issues at the heart of this complaint:

- The extent to which Mr and Mrs B were mis-led about the ease with which they could obtain an extension to the mortgage at the end of the term; and
- Whether the position HSBC communicated to Mr and Mrs B in June 2023 (leading up to the complaint that was made), was reasonable.

I've considered each of these in turn.

The extent to which Mr and Mrs B were mis-led by HSBC about the ease with which they could obtain an extension to the mortgage at the end of the term

In response to my provisional findings, Mr and Mrs B have referred to documentation they

received from HSBC about the mortgage, specifically a letter they received in September 2013 and annual statements that they received each year.

Mr and Mrs B have explained that they understood the wording in those letters (set out above) applied to them and gave them the impression they would be able to extend the mortgage.

I've considered whether (and the extent to which) the wording they've referred to was misleading by giving them false hope and expectation that they would be able to automatically extend their mortgage at the end of the term. I don't find that the wording is misleading in the way Mr and Mrs B suggest. I appreciate that Mr and Mrs B formed a certain impression from reading HSBC's correspondence, but I do not agree that the wording they've referred to gives the impression that HSBC would be prepared to automatically extend their mortgage. The wording they've highlighted is referring to potential future scenarios. It does not say that HSBC guarantees to automatically extend the mortgage at the end of the original term.

Mr and Mrs B say they notified HSBC in writing on multiple occasions of their intentions to extend the mortgage – and that HSBC never responded to the letters to say that would be a problem. However, it seems to me that Mr and Mrs B are thinking of the correspondence they sent to HSBC and the telephone conversations they had with HSBC as completely separate things. I don't consider that they are.

I say this in the general sense that it doesn't strike me as logical to consider the different forms of communication in complete isolation but also specifically because the forms Mr and Mrs B had completed and associated correspondence, were referenced during the phone calls between Mr and Mrs B and HSBC in 2021 and 2022.

This returns me to my analysis of the calls that took place between Mr and Mrs B and HSBC in the lead up to the original term expiring. Mr and Mrs B have said there was an earlier call – in January 2019 – that I haven't listened to. They say that in this call they were told it would be possible to extend the mortgage and to sort it nearer the end of the term.

HSBC says it has sent all of the relevant call recordings. It's possible that another call did take place in January 2019 as Mr and Mrs B say it did. And that, for whatever reason, a recording of the call is no longer available. I note that the name of the agent Mr and Mrs B say they spoke with in 2019 is the same name as the person they spoke with in January 2020. It's possible but doesn't seem very likely that this is pure coincidence. But either way, it doesn't make a difference to the outcome of the complaint.

I say this because even if there was an earlier call that took place in 2019, as Mr and Mrs B say was the case, it doesn't change what happened after that point. Nothing that Mr and Mrs B have said alters my analysis of the three calls that I have listened to – from January 2020, August 2021 and October 2022. It remains the case that HSBC's agent could and should have been clearer in the August 2021 call and that Mr and Mrs B would reasonably have left that conversation thinking that a term extension of up to two years would be straightforward. But also that Mr and Mrs B were told in the October 2022 call that a term extension wouldn't automatically be granted and that they would need to go through some kind of application process.

This being the case, I still find that from October 2022, Mr and Mrs B should reasonably have been expecting that an application to extend the term would be necessary – as it was the last thing they were told.

Whether the position HSBC communicated to Mr and Mrs B in June 2023, was reasonable.

Mr and Mrs B's comments in response to my provisional findings are focused on what they had understood to have been the case in terms of being able to get an extension and how (as they see it) HSBC led them to believe it would be easy, when this turned out not to be the case.

I still find that under the contract, Mr and Mrs B had agreed to repay the capital at the expiry of the mortgage term. It wasn't that Mr and Mrs B couldn't repay the capital, rather they didn't want to have to sell both BTL properties - in the hope that keeping hold of one of them would be economically advantageous.

Ultimately, nothing Mr and Mrs B have said alters my provisional finding on this point. I still find that HSBC telling Mr and Mrs B that they couldn't automatically have a term extension and that they'd need to do an application, wasn't unfair or unreasonable.

#### Putting things right

I still find that the £100 HSBC had already offered for not being clearer with Mr and Mrs B in the 2021 call, is reasonable and a fair reflection of the impact this had on them. I understand that HSBC has already paid this amount to Mr and Mrs B, so it doesn't need to do anything further.

#### **My final decision**

My final decision is that I do not uphold Mr and Mrs B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B and Mrs B to accept or reject my decision before 6 June 2024.

Ben Brewer  
**Ombudsman**