## complaint

Mr and Mrs G complain they received poor advice from HSBC Bank Plc which resulted in them choosing mortgage products which were unsuitable for their needs.

## background

Mr and Mrs G accepted a mortgage with HSBC in 2006. Following the expiry of the fixed rate product in 2008, HSBC told Mr and Mrs G about the interest rate that their mortgage would automatically revert to. Mr and Mrs G contacted HSBC and discussed with it the products that they had researched. Mr and Mrs G accepted a new two-year fixed rate mortgage product.

In July 2010 the new fixed rate expired, and the mortgage reverted to HSBC's standard variable rate of 3.94%. By this time the Bank of England base rate had dropped to 0.5%.

Mr and Mrs G say that, in 2008 they were told by HSBC that their new mortgage rate would be 6%, which is why they opted for the new fixed rate. If they'd been given clear advice that the reversionary rate tracked the Bank of England base rate, they would now be much better off.

Mr and Mrs G are unhappy that they were offered mortgage products on a non-advised basis. Mr and Mrs G also feel that they were not provided with sufficient information from HSBC in order to make an informed decision. Mr and Mrs G feel that as a result of the lack of information provided by HSBC they have accepted a mortgage product with a higher interest rate than they should have had, and that is less beneficial than the HSBC Home Buyer Mortgage variable rate that they could have stayed on.

## my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

In April 2008 HSBC wrote to Mr and Mrs G telling them that their fixed rate mortgage was coming to an end. The Home Buyer Mortgage variable rate (onto which the fixed rate would revert in June 2008) was 6.00% and HSBC told Mr and Mrs G what their repayments would be on that rate. It invited them to discuss their options if they wanted a new fixed rate.

In June 2008 HSBC wrote to Mr and Mrs G again. It explained that their interest rate had now increased to 6.00%. The letter went on to say:

*"This is our Home Buyer Mortgage variable rate. Our Home Buyer Mortgage variable rate may vary, but we guarantee not to charge more than 1% above the Bank of England base rate."*

At the time, the Bank of England base rate was 5%.

By July 2008 Mr and Mrs G had opted for a new fixed rate of 5.68%, effective until 31 July 2010. Upon expiry of that fixed rate, the mortgage reverted to HSBC's variable rate. This rate does not track the Bank of England base rate. So I do see that Mr and Mrs G now feel the mortgage they opted for in 2008 wasn't the best choice for them, given how interest rates have moved since.

But I'm satisfied HSBC explained clearly to Mr and Mrs G in its letter sent in June 2008 that the rate they were about to transfer to on expiry of the 2006 fixed rate product would never be more than 1% above Bank of England base rate. When they took out a new product, Mr and Mrs G lost that guaranteed reversionary rate because it wasn't a feature of their new fixed rate product.

In June 2008 the Bank of England base rate had begun to fall from its peak of 5.75% a year earlier, and was now at 5%. I'm not persuaded HSBC could have known or predicted that the rate would fall to 0.5%, where it has remained for almost four years.

At this time there was uncertainty in the property and mortgage markets following the global financial crash the previous year, and in general both lenders and customers were taking a cautious approach to the level of risk they were prepared to take. So it's against that background that I think it likely Mr and Mrs G decided to opt for another fixed rate, given the volatility of interest rates in previous years and the possibility that a variable interest rate could leave them over-exposed. Indeed, Mr G says that in May 2008 *"I remember contemplating getting a Fixed Rate mortgage to hedge myself against rising 'interest margins'…"*

HSBC gave no advice to Mr and Mrs G about the mortgage. Although Mr and Mrs G say they had discussions with an adviser in the branch who gave them advice, I've seen no evidence to persuade me that either the 2006 or 2008 mortgages were advised sales. The documents make it clear that no advice was given.

I do appreciate that if they'd stayed on the reversionary rate in 2008 Mr and Mrs G would now be paying only 1.5% interest rather than HSBC's variable rate (currently 3.94%). But I'm satisfied that Mr and Mrs G were aware of the implications of staying on the Home Buyer Mortgage variable rate in 2008. I think it likely they took into consideration the possibility of upward movement in the Bank of England base rate when they opted for another fixed rate product.

**my final decision**

I know Mr and Mrs G will be disappointed, but my final decision is that I do not uphold this complaint.

Jan O'Leary
**ombudsman**