

The complaint

Mr and Mrs B complain that TSB Bank plc (“TSB”) won’t allow them to repay some of their mortgage using a credit card.

What happened

Mrs B says she has a current account, saving account, and mortgage with TSB. She took out a credit card with TSB and hoped to take advantage of the 0% promotional interest rate on the credit card to overpay the mortgage she has with her husband, Mr B. Mr and Mrs B are allowed to overpay their mortgage by 10% a year.

When Mrs B asked TSB about this matter TSB said she couldn’t use her credit card to pay her mortgage. That’s because a credit card is unsecured lending, so there was no guarantee when or how Mrs B would repay it.

Mrs B feels that by saying this TSB put her into a worse financial position than she needed to be in. That’s because the interest rate on Mr and Mrs B’s mortgage was higher than the 0% promotional rate on the credit card.

Our investigator looked into the complaint. He said it isn’t uncommon for lenders to refuse this type of transaction. That’s because they’re required to make sure they lend responsibly. While our investigator accepted that Mrs B might benefit from using the 0% interest free rate in the short term, there was no guarantee about when or how Mrs B would pay off her credit card. So there was a risk in the long term that Mrs B’s credit card repayments would increase when the 0% promotional rate expired. Credit card debt is unsecured, meaning that the debt would be subject to a far higher interest rate than a mortgage. So the debt would be more expensive to repay.

Our investigator also said that as credit card debt isn’t secured on property, the risk of TSB not being able to recover the money if Mrs B didn’t repay the credit card debt would be greater than the risk of it of recovering a mortgage. So he understood why TSB weren’t prepared to let Mrs B use her credit card to make a payment to her mortgage. He didn’t recommend that this complaint was upheld.

Mrs B disagreed and asked for the complaint to be reviewed by an ombudsman. She said she was a long-standing customer of TSB that had was a good credit risk - especially as there was enough money in her TSB current account to repay the mortgage in full. She said she could see that as part of their mortgage servicing and recovery toolkit TSB allowed customers in, or about to be in, financial difficulty to repay their mortgage using a credit card as a short-term option. Our investigator didn’t think that was relevant in this case.

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’ll explain why.

I can understand why Mrs B thought there should be no problem using her TSB credit card to overpay part of her mortgage. She has told us she's a long-standing TSB customer that had a number of accounts with TSB. So TSB were in the position to understand her financial position. She had recently got the credit card, and it had a £12,000 credit limit. In addition to this she has told us the mortgage repayments were paid from her current account, and there was enough money in that account to repay her mortgage in full. So she feels that TSB should have taken a risk-based decision about whether to let her use her credit card in that way.

However, I can also understand why TSB said it was unwilling to allow her to transfer part of her mortgage debt onto the credit card. As our investigator said, Mrs and Mrs B's mortgage was secured on their property, but Mrs B's credit card debt wasn't secured on property. TSB couldn't be sure when or how Mrs B would pay off her credit card. But TSB could predict when and how Mrs B will pay off her mortgage. TSB had already checked (when Mr and Mrs B had applied for the mortgage) that Mr and Mrs B could afford the mortgage and the repayment schedule was sustainable.

TSB would've been aware that if Mrs B wasn't able to pay off her credit card in the 0% promotional period, she would have to pay interest on the debt at a much higher interest rate than the interest rate on her mortgage. The relevant credit card statements say that the interest rate on Mrs B's credit card once the promotional period had ended was 19.95% variable. That would be applicable on top of the 2.95% transfer fee Mrs B would need to pay to transfer some of her mortgage debt on to the credit card in the first place. Finally TSB would have been mindful that in the event that Mrs B was unable to repay her credit card, it would be harder for it to recover that debt than a mortgage debt, given that credit card debt is unsecured.

So I'm not persuaded that TSB have acted unfairly here. TSB were entitled to take the commercial decision to refuse to allow Mrs B to use her credit card to overpay her mortgage. I think TSB considered the risks of such a transaction when it refused it. It wouldn't be appropriate for me to interfere with that decision.

For completeness I've also considered Mrs B's point that there are circumstances (set out in TSB's mortgage servicing and recovery toolkit) in which TSB would allow customers to repay their mortgage using a credit card as a short-term option. It isn't for me to comment on TSB's toolkit. However, it seems clear from the facts of this case that Mr and Mrs B weren't in, or about to be in, financial difficulty. Mrs B has been clear that there was plenty of money in her current account – the account the mortgage was paid from. Instead she wanted to take advantage of the 0% promotional interest rate on her credit card. In the circumstances, I'm not persuaded that it follows that TSB should be required to allow her to transfer part of her mortgage debt onto her credit card.

Taking the matter as a whole, I don't think TSB made a mistake when they refused to allow Mrs B to use her credit card to overpay her mortgage. So why I appreciate that Mrs B is likely to be disappointed by my final decision, I'm afraid I don't think Mr and Mrs B's complaint should be upheld.

My final decision

For the reasons set out above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B and Mr B to accept or reject my decision before 14 December 2021.

Laura Forster
Ombudsman