

The complaint

Mr F and Miss N complain that Belmont Green Finance Limited, trading as Vida Homeloans, increased their monthly mortgage payments.

Mr F has led the complaint throughout.

What happened

In 2018, following advice from a broker, Mr F and Miss N took out a mortgage with Vida Homeloans. The mortgage was for around £238,000 on a capital and interest repayment basis, over a 25-year term. The interest rate was fixed at 3.44% for the first two years.

As a result of the coronavirus pandemic, Vida Homeloans decided to withdraw from all lending activities in March 2020. This meant that it did not offer any new interest rate products for existing customers or any lending to new customers.

Mr F and Miss N applied for a coronavirus payment deferral for three months from April 2020. At the time Mr F asked what the impact would be to his mortgage payments going forwards - he was told they would increase by around £11 per month.

In May 2020, Mr F and Miss N's fixed interest rate product ended, and the mortgage reverted to Vida Homeloans standard variable rate (SVR). The coronavirus payment deferral still applied at this point. When it ended, Mr F and Miss N's mortgage payment increased by more than they were told it would. And so they complained to Vida Homeloans.

Vida Homeloans replied to the complaint. It said that the reason their monthly payments had increased by more than they were told is because the mortgage had reverted from the fixed interest rate to the SVR. It apologised for the incorrect information provided and offered £50 by way of an apology. It also offered to return the lump sum payment Mr F and Miss N made.

Mr F and Miss N remained unhappy with this and brought the complaint to this service.

Our investigator considered the matter and thought that Vida Homeloans should increase the offer to £150. Mr F and Miss N didn't think this went far enough and asked for an ombudsman to consider the complaint.

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.

Interest charged

Mr F has said that he was told that he would be able to get a retention product when his fixed interest rate deal expired. I've considered Mr F and Miss N's mortgage offer and can see that this explains that once the fixed interest rate expired, the mortgage would revert to the SVR. And so, I don't think that a new interest rate product was ever promised or guaranteed. However, if Mr F and Miss N have further concerns, they could address this with the broker who provided the advice to take the mortgage out if this is what they were told at the time.

In this case, I think that the timing of the expiry of the fixed rate was very unfortunate. Due to the unprecedented nature of the coronavirus pandemic, Vida Homeloans explained that it withdrew from all lending. I don't think there's anything wrong with that decision - it was an exercise of its commercial judgement that it's entitled to make.

But I've thought about whether this has had an unfair impact on Mr F and Miss N. Vida Homeloans has explained that it was not able to offer existing customers a product switching facility until around March 2021. And I can see that Mr F and Miss N fixed their rate shortly after this.

Mr F has questioned why the mortgage could not just continue on their previous rate until new rates were available. I can understand his point, but that is not how the mortgage was set up to operate. I think that the SVR was charged in line with the mortgage offer and, whilst it was unfortunate that there were no new rates available when their fixed rate ended, I don't consider that they were treated unfairly as no new rates were available for any of its existing customers.

I appreciate that Mr F has said that he was unable to move elsewhere due to how he receives his income but I don't think I can fairly say that Vida Homeloans is responsible for this – rather it's a result of wider circumstances and other lenders criteria. And it's not for this service to compel a lender to lend or offer a particular interest rate when one is not available.

Communication

Unfortunately a letter letting Mr F and Miss N know that their fixed rate was due to expire was not sent when it should have been as Vida Homeloans said this was put on hold as the mortgage was on a coronavirus payment deferral. But I've seen a copy of a letter from February 2020 that states that the fixed rate period ends in May 2020. Whilst I note that Mr F has said he does not recall receiving this, I can see that it has been correctly addressed.

I've listened to the call that Mr F had with Vida Homeloans in March 2020 about gaining authority for his broker to arrange a new rate. I think whilst he might not have known exactly when the fixed rate would expire, it's likely he knew it was around this time as he was asking for Vida Homeloans to discuss rates with his broker.

It's not in dispute that Mr F and Miss N were told the incorrect information over the phone and it's unfortunate that they were led to believe that making a lump sum payment would decrease their mortgage payments when it was the fact that the mortgage had reverted to the SVR that caused most of the increase.

Vida Homeloans has apologised for this and offered to return the lump sum payment. I think this is fair and would put them in the position that they would have been had the payment not been made after they received incorrect information.

But I don't think the £50 offered goes far enough to recognise the distress and inconvenience caused by the matter and trouble it caused Mr F and Miss N on making calls to establish why the increase happened and planning their finances.

I've thought carefully about what an appropriate amount would be. Having done so, I agree with our investigator and think that £150 is fair.

Putting things right

I do think that Mr F and Miss N were given incorrect information, and this caused them some distress and inconvenience. I find that £150 is fair compensation in all the circumstances.

My final decision

For the reasons I've given, my final decision is that I uphold this complaint and direct Belmont Green Financial Limited, trading as Vida Homeloans, to pay Mr F and Miss N £150 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F and Miss N to accept or reject my decision before 15 March 2022.

Camilla Finnigan
Ombudsman