

The complaint

Mr and Mrs P's complaint about Clydesdale Bank Plc (Clydesdale) relates to Clydesdale's decision not to consider Mr P's benefits income in his and his wife's joint application for further borrowing.

What happened

Mr and Mrs P took a mortgage with Clydesdale in 2019. When they did, Clydesdale accepted Mr P's benefits income alongside Mrs P's income. The mortgage was for five years, at a fixed rate, and included an early repayment charge (ERC) if the mortgage was redeemed inside the fixed rate period.

In 2021 Mr and Mrs P wished to borrow further monies for some home improvements, but Clydesdale said it wouldn't consider Mr P's benefits income and as such could only lend about a quarter of the amount they were looking to borrow. As this was insufficient for Mr and Mrs P's purposes they decided to approach a different lender and in doing so triggered the ERC on their existing mortgage. Mr and Mrs P thought that Clydesdale were acting unfairly and raised a complaint, which Clydesdale upheld in part, making a compensatory payment to them of £150.

Mr and Mrs P were unhappy with Clydesdale's final response and so approached this service to see if we could assist in resolving the dispute. Our investigator thought that there had been poor service by Clydesdale and the amount of compensation offered was insufficient. The investigator thought £300 would be a fair and reasonable resolution but Mr and Mrs P didn't agree and asked for the complaint to be passed to an Ombudsman for 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.

My summary of what happened is brief and I know the parties went into a lot more detail. I'm going to focus on what I think are the key issues. Our rules allow me to do this and it reflects the nature of our service as an informal alternative to the courts. So, if there's something I've not mentioned, it isn't because I've ignored it, it's because I'm satisfied that I don't need to comment on every individual argument to be able to reach what I think is the right outcome.

There is no dispute between the parties that there was an ERC on Mr and Mrs P's mortgage with Clydesdale. Neither does there appear to be any dispute that the amount of the charge was calculated correctly, and save for the circumstances pertaining to their complaint, correctly applied. If I am wrong about that, then I can say that I am satisfied from the evidence provided that the ERC was correctly applied and calculated when Mr and Mrs P redeemed their mortgage with Clydesdale. There is also no dispute that Clydesdale said initially that they wouldn't consider Mr P's benefits income.

The issue in this complaint is whether Clydesdale have acted fairly when Mr and Mrs P made their application for further borrowings. That means I must look at what Clydesdale actually did both in relation to the application for the mortgage, and the circumstances surrounding the subsequent application for further borrowing. It is clear that Clydesdale thought Mr P's benefits income was acceptable when the mortgage was taken out in 2019, and so I can readily understand why they should both feel somewhat aggrieved that it could not be taken into account when they applied for further borrowing.

Mr and Mrs P feel that Clydesdale misled them when they applied for the mortgage initially. They also feel Clydesdale have acted in a discriminatory fashion towards them. This is not however an accurate statement. When Mr and Mrs P made their initial application Mr P's benefit was considered. This shows that Clydesdale were not discriminating since Mr P's benefit income was accepted and used as an income in determining that application. Whilst Clydesdale then went on to state in the further application that they wouldn't consider the benefits income, it ultimately reversed that decision and said it would.

And I can't say Clydesdale misled Mr and Mrs P. Had they made it known to Clydesdale, when they made their initial application for a mortgage, that further borrowing would be sought in the near future, and had been some evidence of assurances that Mr P's benefits income would be considered in any future application, I think that would paint a different picture. But there is no evidence of any such assurances or agreement. So, I can't say Mr and Mrs P were misled.

What in fact happened was Mr and Mrs P made a fresh application to borrow more money and I am satisfied that it was correct for Clydesdale to require a full application to be made so they could properly assess it. It is in Clydesdale refusing to accept such an application initially which creates the unfairness.

Looking at the impact of Clydesdale's refusal to look at Mr and Mrs P's application for further funding I can see that on 11 March 2021 Mr and Mrs P were told by the mortgage advisor that Clydesdale wouldn't consider Mr P's benefits income. I have also seen the letter from a mortgage advisor dated 22 March advising Mr and Mrs P that they could mortgage their property with a new lender.

At that time Mr and Mrs P had not committed to any new mortgage and the mortgage offer had not yet been issued. Mr P has confirmed that on 23 March he thinks his mortgage application to the third-party lender was made and on the same day he contacted Clydesdale effectively asking them to reconsider their decision. On 24 March Clydesdale upheld Mr and Mrs P's complaint stating that they would look at any application which Mr and Mrs P submitted but could give no guarantee it would be successful. The reason no guarantee could be given was because Clydesdale have an eligibility criteria which would need to be satisfied before any further lending could be granted. I find that to be fair and reasonable and what I would expect to see from a responsible lender.

But, the unfairness caused by Clydesdale's initial refusal to look at their application came to an end on 24 March when Clydesdale changed their mind.

As Mr and Mrs P did not make an application to Clydesdale, but instead proceeded with their application to the third-party lender, at that point they knew that the ERC would apply. It might well have been the case that Clydesdale would have accepted their application, which would have meant Mr and Mrs P could have remained with Clydesdale and not incurred the ERC. I can't therefore say that the ERC has been unfairly applied since Mr and Mrs P knew that it would.

I know Mr and Mrs P have described how it had taken a long time for Clydesdale to get to the position of agreeing to accept an application including Mr P's benefits income, and I also note that Mr P has described how desperate and distraught he had become being naturally concerned about how and where he could raise the funds he needed. But it remains the case that on 24 March Mr and Mrs P were given the opportunity to apply for further funding with Clydesdale which they declined and in my view, at that stage, it would have been reasonable to pursue that avenue first, before deciding to switch lenders since Mr and Mrs P weren't at that point committed.

Clydesdale has accepted that it didn't get things right and because of that it compensated Mr and Mrs P with £150. As Mr and Mrs P didn't think that was enough to put matters right, I've given this some further thought, and I think what Clydesdale paid is insufficient. I agree with our investigator that £300 is reasonable and fair. When we consider what an appropriate level of compensation might be, we consider a variety of factors, including the trouble, upset, distress and inconvenience that may have been caused. We categorise awards and examples of these can be found on our website. The trouble and upset caused here stems from Clydesdale's initial refusal to consider an application with Mr P's benefit income. But as Clydesdale then changed their mind the impact is significantly lessened to the point that Mr and Mrs P did have the opportunity to make their application which could have resulted in them staying with Clydesdale and avoiding incurring the ERC. So, I cannot say the ERC has been caused or triggered by anything Clydesdale have done.

Putting things right

Clydesdale Bank Plc has already paid Mr and Mrs P £150 to settle this complaint, and I think that it should pay them a further £150 to make a total compensation payment of £300.

My final decision

My final decision is that Clydesdale Bank Plc shall pay Mr and Mrs P a further £150.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P and Mr P to accept or reject my decision before 31 March 2022.

Jonathan Willis
Ombudsman