

## **The complaint**

Mr and Mrs N complain that The Co-operative Bank Plc was unfair to withdraw their overpayment fund when they asked to port their mortgage.

## **What happened**

Mr and Mrs N had a mortgage with the Co-op. This had a feature (referred to as an overpayment fund) which allowed them to make payments which were offset against their mortgage balance, but which they could later withdraw. Mr and Mrs N had paid enough into their overpayment fund to fully offset the mortgage balance, meaning their account didn't incur interest and they didn't need to make any monthly payments.

In mid-2020 Mr and Mrs N applied to port their mortgage product and take out additional borrowing. Co-op told them the new mortgage wouldn't have the overpayment fund feature. However, it didn't tell them it would withdraw the overpayment fund on their existing mortgage before it made a mortgage offer. It transferred the overpayment fund balance to Mr and Mrs N's account with another bank without first discussing this with them.

Mr and Mrs N didn't port the mortgage. They repaid it in late 2020. They're unhappy that they lost the benefit of the overpayment fund in the meantime. And they say it was wrong for Co-op to pay their money to another bank, potentially putting it at risk.

Our investigator said while Co-op should have explained earlier what would happen, it had done enough to put matters right.

Mr and Mrs N didn't agree, and so the complaint has been passed to me, an ombudsman, to decide.

## **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.

Co-op says when porting a mortgage, its process is to remove the overpayment fund before issuing the mortgage offer. It explained the reasons why it does this. Mr and Mrs N say it should have a better process with the overpayment fund withdrawn at or nearer to completion. They don't think the explanation Co-op gave justifies withdrawing it sooner. But, ultimately, it's for Co-op to decide on its processes. It says it follows this process to ensure its mortgage offer is for the right amount and avoid causing delays at completion. I don't think it's fair and reasonable in the circumstances to require Co-op to provide further explanation or justification for its process to Mr and Mrs N.

However, Co-op didn't tell Mr and Mrs N beforehand that it would withdraw the overpayment fund before issuing a mortgage offer, or how this would happen.

Co-op withdrew the overpayment fund and transferred the money in the overpayment fund to Mr and Mrs N's account at another bank in mid-September 2020. This was about two

months before the expected completion date for their sale and purchase. Mr and Mrs N didn't port the mortgage. They repaid the mortgage in December 2020.

Mr and Mrs N incurred interest on the mortgage balance and had to resume monthly mortgage payments between September and December 2020. Co-op says interest was about £13 per month, and this was covered by its offer of £50 compensation. It says Mr and Mrs N weren't caused a loss by any capital repayments made as this reduced the balance they repaid in December 2020. I think this is correct.

Mr N says Co-op shouldn't have transferred the funds to another bank without his knowledge or consent. He says this put his capital at risk. Mr N has explained he had a previous experience when a bank failed and he had to make a claim to the Financial Services Compensation Scheme.

I agree that Co-op should have managed this better. Co-op asked Mr N in an email "*the overpayment fund of [...] needs to be at a zero balance. Please can you confirm if you would like this capitalized back on the mortgage or paid back to yourselves*". Mr N replied saying he didn't understand the question and said he intended to use the money towards the property purchase. If Co-op had explained what was happening better, Mr and Mrs N would have been able to decide where they'd like the funds to be sent. That said, Mr and Mrs N haven't said that there was actually any problem with the money or the account it was transferred to. If Mr and Mrs N were concerned about the money being at risk they'd have been able to transfer the money to another account a few days later, if they wanted to do so.

Mr and Mrs N weren't given clear information about what would happen with the overpayment fund. I don't know if they'd have acted differently if they had been. They might have decided not to proceed with the porting application. But I don't think they were caused any financial loss. While interest was applied to their account between September and December 2020, the £50 offered by Co-op covered this. And their capital repayments reduced the mortgage balance. Mr and Mrs N didn't lose the money that was transferred to their account with another bank.

I know Mr and Mrs N will be disappointed. But I think Co-op has done enough to put matters right. I don't think it's fair and reasonable in the circumstances to require it to take further steps or pay further compensation.

### **My final decision**

My decision is that The Co-operative Bank Plc should pay £50 to Mr and Mrs N, if it hasn't already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs N and Mr N to accept or reject my decision before 17 March 2022.

Ruth Stevenson  
**Ombudsman**