

## **The complaint**

Mr and Mrs H are unhappy with the way that Bank of Scotland plc (trading as Birmingham Midshires) have managed their mortgage accounts. They also complain about the service they received when both mortgage terms had ended.

## **What happened**

Mr and Mrs H have a mortgage with Birmingham Midshires which is split into two parts. One of the mortgage account terms was due to expire in September 2021 and the other was expiring in October 2021.

Mr and Mrs H said they explained to Birmingham Midshires that their property had been on the market since February 2021 and Mr H said he had expressed concern as to how long the property was taking to sell.

Birmingham Midshires told Mr and Mrs H that they agreed to apply a grace period from the end of the mortgage term on both accounts for 12 months. However, during this period, Birmingham Midshires upgraded their systems and one of the mortgage accounts migrated to the new system before the term ended. So, Mr and Mrs H were told that they needed to pay that mortgage back immediately. Mr and Mrs H said this caused them a great deal of stress and worry.

Mr and Mrs H said they then received a letter in September 2021 from Birmingham Midshires informing them that their mortgage payments were increasing from around £302 to £511 per month and they were confused by this because a 12 month grace period had already been approved. This meant that in total, an additional £209.05 was taken by direct debit. Birmingham Midshires explained this was the amount of held over interest on one of the mortgage accounts. This is basically interest that should have been paid from the previous month.

Mr and Mrs H have told us they had various issues trying to speak to Birmingham Midshires throughout this whole process which caused them a great deal of frustration.

Birmingham Midshires acknowledged that things had gone wrong and offered Mr and Mrs H £300 for the trouble and upset they were caused. However, Mr and Mrs H remained unhappy, so they brought the complaint to our service where it was looked at by one of our investigators.

Since our investigator's involvement, Birmingham Midshires have agreed to waive the £209.05 held over interest and have offered to refund this to Mr and Mrs H along with a further £100 compensation. Our investigator also acknowledged that Birmingham Midshires took a further £209.05 from Mr and Mrs H's account which they have also agreed to refund. Our investigator thought that this was a fair outcome.

Mr and Mrs H disagreed. They said for justice to be done, they wanted the following:

- Birmingham Midshires to refund the original £209.05 taken inappropriately and instigate a schedule to repay the monthly sub interest account over the remainder of the extended term
- Birmingham Midshires to refund £209.05 which was duplicated
- An additional £100 without delay

- A suitable apology from Birmingham Midshires

Our investigator responded to Mr and Mrs H confirming that Birmingham Midshires have confirmed they would do the above. He also said that Birmingham Midshires apologised when they sent Mr and Mrs H their final response letter.

Mr and Mrs H responded explaining that they made a typographical error and that it was actually £1,000 they wanted in compensation and they felt that the apology offered to them wasn't good enough.

As Mr and Mrs H disagreed with our investigator, they asked for the complaint to be reviewed by an ombudsman, so it has been passed to me 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.

Birmingham Midshires have explained they updated their computer system. Monthly payments on the old system were calculated in arrears and then this changed to it being applied in the same month. Mr and Mrs H believe that Birmingham Midshires are profiting from this change – but I'm satisfied this isn't the case. Birmingham Midshires have changed the way in which they apply interest since the system has changed and they do not make a profit from this.

So as an example – which our investigator already explained to Mr and Mrs H - their February mortgage payment would have paid interest accrued from January and the March payment would have paid accrued interest from February, and so on. In this situation, the system change happened in April so April's payment would have paid interest accrued from April, so in essence interest from March would never have been taken. But from what I can see, this has been rectified by Birmingham Midshires as they have acknowledged that things went wrong when the changeover happened, and they have agreed to refund two payments to Mr and Mrs H.

I understand that this caused other issues for Mr and Mrs H because they thought that they had a 12-month grace period following the end of the mortgage terms, and they were then notified that they needed to pay one of the mortgages back. This was because one of the mortgages migrated over to the new system before it entered the last month of the remaining term.

From what I can see, both mortgage accounts do have a 12-month grace period applied and Birmingham Midshires have confirmed this is the case. I do accept that this would have been worrying for Mr and Mrs H but I do think that Birmingham Midshires have tried to put this right for Mr and Mrs H by offering £400 compensation which I will comment on shortly.

Birmingham Midshires have agreed to refund the overpayment of £209.05 from November 2021 when they took an increased payment of £511.86 in error on one of the mortgage accounts.

On the other mortgage account, Birmingham Midshires have confirmed that they are unable to add the held over interest onto this account as there is no term left on the mortgage to recalculate the payments. So they have also agreed to refund the amount of £209.05 that has been taken.

Mr and Mrs H have told us what they would like Birmingham Midshires to do in order to put things right, and I'm satisfied that what they have asked for, is what Birmingham Midshires have agreed to – bar the compensation Mr and Mrs H want. I appreciate that Mr and Mrs H are not happy with the apology that they have been offered by Birmingham Midshires as they feel this is lacking, but Birmingham Midshires have apologised in their final response letter and I think this is sufficient.

Mr and Mrs H would like £1,000 compensation for the inconvenience and worry they have been caused. I do also understand that they have had various issues in trying to speak to someone at Birmingham Midshires throughout this whole process which also made things difficult for them. I don't think there is any doubt here that Birmingham Midshires could have dealt with things differently when dealing with Mr and Mrs H.

While I do accept that this situation would have caused Mr and Mrs H worry and upset, I do think that the £400 offered by Birmingham Midshires is acceptable. Mr and Mrs H believe they should get more in order to do their complaint justice, but my role isn't to punish Birmingham Midshires but instead require them to put things right based on what I think is fair. Birmingham Midshires have acknowledged that they could have dealt with things better and they do accept that they caused Mr and Mrs H frustration and upset. While I understand that Mr and Mrs H would like a higher compensation award, I do believe that the £400 offered is fair and reasonable in the circumstances of this complaint – so I won't be asking Birmingham Midshires to pay anything further

If Mr and Mrs H are still trying to sell their property, they should continue to discuss their position with Birmingham Midshires in order to keep them updated on the situation.

### **My final decision**

For the reasons given above, I direct Bank of Scotland (trading as Birmingham Midshires) to:

- Refund both amounts of £209.05 to Mr and Mrs H if this hasn't already been done
- Pay Mr and Mrs H £400 for the trouble and upset they have been caused, again if this hasn't already been paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H and Mr H to accept or reject my decision before 11 May 2022.

Maria Drury  
**Ombudsman**