

The complaint

Miss P complains that Bank of Scotland plc, trading as Halifax ("Halifax") gave her incorrect information that led to a delay in her re-mortgaging her buy-to-let ("BTL") property.

What happened

Miss P held a BTL mortgage for £102,000 with another lender. Her fixed rate was due to end at the start of September 2021, so she met with a Halifax adviser to discuss re-mortgaging. Miss P says she understood from this meeting that she would be eligible for a BTL mortgage with Halifax. And the adviser submitted her application for a £98,000 BTL mortgage on 17 August 2021.

There were some delays due to an incorrect address and the initial valuation report saying that the Energy Performance Certificate was out of date. Miss P was also asked to submit income verification twice. But on 22 November 2021, over three months later, it was decided that Miss P was never eligible for a BTL mortgage with Halifax because she didn't meet the minimum income requirement of £30,000.

Miss P complained that she informed the initial adviser at the beginning that her income was £25,000. And she felt she should have been advised immediately that she wasn't eligible rather than getting to the stage of having a valuation report and completing two income verifications. Miss P arranged to re-mortgage for £104,000 with her current lender, and this completed in December 2021. Miss P said she paid a higher interest rate than she needed to between September and November 2021 and she wanted to be compensated for this.

Halifax looked into Miss P's concerns and agreed that she should have been informed she didn't meet the eligibility criteria sooner. It offered to put her back in the position she would have been in by compensating her with the difference between the standard variable rate she was put on after her fixed rate ended, 4.74%, and the interest rate she would have been on if she had obtained the mortgage with Halifax, 2.03%, from September 2021 to November 2021. It also awarded £400 compensation for the stress and inconvenience caused to her.

Miss P seems to accept the amount she was awarded for stress and inconvenience, but she doesn't agree with the figures Halifax used to calculate her settlement offer for financial loss. Miss P says Halifax should be using the new interest rate, 1%, and the outstanding mortgage balance she had at the time, £102,000. As Halifax didn't agree, Miss P brought her complaint to this service.

Our investigator looked into Miss P's concerns, but they thought the figures Halifax relied on were appropriate in the circumstances. As Miss P still disagreed, the complaint was referred to me for a decision. I issued a provisional decision on 27 July 2022 and I explained why I thought the complaint should be upheld. Below is an extract of what I said:

“As I’ve explained above, Halifax has accepted responsibility for the financial loss caused to Miss P between September and November 2021. Because of this, I don’t need to address whether Halifax is at fault in terms of these issues – it has already accepted it is. It has accepted that Miss P should have been told she was ineligible for its BTL product much sooner. And it has compensated Miss P with £400 for any stress or inconvenience caused and Miss P has accepted this. So, my decision will focus on the issue Miss P has raised, which concerns whether Halifax has used the most relevant interest rates and loan amount in its redress calculations.

Halifax needs to put Miss P back in the position she would have been in if the above mistake never happened. But Miss P could never have had the Halifax product that was on offer, so I don’t think it would be right to use the 2.03% interest rate in calculating her financial loss. Instead, I need to think about what Miss P would have done if the mistake hadn’t happened.

Considering everything, if it weren’t for Halifax’s mistake, I think it’s more likely than not Miss P would have applied to re-mortgage through her existing lender in August 2021. I say this because Miss P applied for the product with her existing lender as soon as she knew she couldn’t have a BTL mortgage with Halifax in November 2021. Her new application went through quickly, and Miss P moved onto a new fixed interest rate in December 2021. Miss P has confirmed the product she switched to was available at the time she initially applied to re-mortgage with Halifax, so I can’t see why her actions would have been any different had she found out she was ineligible for Halifax’s product when she should have.

Miss P has demonstrated that she would have gone with her existing lender instead of Halifax if she had been advised correctly. So, in order to put Miss P back in the position she would have been in, it would be more appropriate for Halifax to compare the 4.74% standard variable rate she paid between September and November 2021, with the fixed rate of 1% she could have been paying – had she applied to re-mortgage with her existing lender in August 2021.

It’s also unclear why there is a difference in the loan amounts requested. Miss P’s application to Halifax was for £98,000, but her new mortgage is for £104,000. Miss P was charged a fee of £2,000 to re-mortgage with her existing lender and I don’t think Halifax needs to factor this into its calculations – as this amount was charged on the new, current interest rate which Halifax isn’t responsible for.

But the mortgage Miss P was paying on a standard variable rate was £102,000, so I think Halifax should be basing its redress calculations on this figure rather than the application form that was submitted to it. I say this because, regardless of why the application to Halifax was for less, Miss P ended up paying higher interest on the mortgage she already had and the only way to put her back in the position she would have been in is to calculate the redress using this amount”.

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.

Both parties accepted my provisional findings and no further information was provided. So, I don’t have anything further to add to my provisional decision and for the reasons explained above, Halifax should put things right as set out below.

Putting things right

Halifax should recalculate the redress it has offered Miss P by comparing the 4.74% interest rate she paid with the 1% interest rate she would have been paying. It should also base its calculation on the total outstanding mortgage amount of £102,000.

Halifax should add 8% simple interest on each difference in payment from the date she made each payment to the date of settlement.

My final decision

My final decision is that I uphold this complaint and direct Bank of Scotland plc, trading as Halifax to revise its redress offer as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P to accept or reject my decision before 10 October 2022.

Hanna Johnson
Ombudsman