

The complaint

Mr C complains that Bank of Scotland plc (trading as Birmingham Midshires) rescinded an offer to extend the term of his buy to let mortgage and apply a preferential interest rate.

What happened

Mr C has an interest only buy to let mortgage with Birmingham Midshires. His fixed interest rate product was due to expire in October 2020. His broker recommended he apply for a term extension. Birmingham Midshires issued a mortgage offer, which Mr C accepted. It then said the offer wasn't valid. Mr C complains that:

- It was unfair for Birmingham Midshires to rescind the offer, which he accepted within the time limit. He said he made decisions based on this offer.
- He's paying a higher interest rate due to being on Birmingham Midshires' standard variable rate (SVR). He wasn't told his monthly payments had increased, until he received a call in January 2021 saying he was in arrears.
- Birmingham Midshires' complaints team sent letters to the wrong address and took too long to deal with his complaint.

Our investigator said while Birmingham Midshires made errors the £300 compensation it offered was fair. Mr C provided a detailed explanation of why he didn't agree.

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.

Mr C's interest rate product was due to expire on 31 October 2020. The mortgage term is due to expire in July 2022. Mr C took advice from a broker who recommended that he apply for a new product and to extend the mortgage term by six years. The broker made the application on Mr C's behalf in September 2020.

Birmingham Midshires made two errors at this point. As Mr C had less than two years remaining on his mortgage term its end of term team should have contacted him directly rather than allow an application via a broker to be processed. Second, it issued what appeared to be a mortgage offer for the new term and product.

Ultimately though, neither of these errors changed the outcome. When Birmingham Midshires' end of term team did get in contact with Mr C in early October 2020 it declined to offer a term extension to him. There's nothing to suggest this would have been different if it had spoken to him in September 2020.

Birmingham Midshires says it couldn't offer Mr C a new preferential interest rate product. It didn't have any products available that would have expired within the remaining term of his mortgage. It sent evidence to support this. This would have been the same if Birmingham

Midshires had spoken to Mr C in September 2020.

Mr C says the error, which led him to believe the mortgage term would be extended, caused him problems. He says he delayed starting work on the property development that would otherwise have been completed and sold in late 2021. This would have provided funds to repay the mortgage with Birmingham Midshires. I don't think I can fairly find that any delays to the property development are solely or mainly due to Birmingham Midshires issuing what appeared to be an offer to extend Mr C's mortgage term. Mr C was given correct information – that the term wouldn't be extended – within a couple of weeks. I don't think Birmingham Midshires is responsible if Mr C decided to delay the property development in the hope the complaints team would overturn this.

Mr C says he extended the tenants licence to late 2022, and will now have to give them formal notice to leave (presumably so that he can sell the property). I can't see that this will cause a financial loss. The mortgage term was due to end in July 2022, even if for a short period Mr C expected it to be extended.

Mr C's monthly payments increased after his preferential interest rate expired. Birmingham Midshires was entitled to apply its SVR in accordance with the mortgage terms and conditions. It's unfortunate that the remaining mortgage term meant no products were available, and I can understand if Mr C is frustrated by this. However, from November 2020 there was no ERC, and Mr C could have looked into re-mortgaging elsewhere if better rates were available.

Mr C says he first contacted Birmingham Midshires in March 2020, and it told him to contact a broker. Mr C questions why Birmingham Midshires required him to use a broker in March 2020, and then said he'd need to deal with it directly in October 2020. Birmingham Midshires' says it has a different process when a mortgage is within two years of its maturity date – which happened here in July 2020. I don't think this was an error.

Mr C says the broker is part of Birmingham Midshires, or acted as its agent. I haven't seen evidence that this was the case. Mr C appointed the broker.

Birmingham Midshires says it wrote to Mr C when his fixed rate product expired. Mr C says he didn't receive the letter and didn't know his monthly payments had increased.

It's unfortunate that Mr C didn't receive the letter confirming the new monthly payments, but there's nothing to suggest this was due to an error by Birmingham Midshires. Mr C was aware that his preferential interest rate product had expired and the higher standard variable rate would be applied. In fact, the higher monthly payments was part of the complaint he raised in October 2020. If Mr C didn't receive the letter confirming the amount of his monthly payments, he could have contacted Birmingham Midshires about this.

Mr C was unhappy with the way Birmingham Midshires dealt with his complaint. Complaint handling isn't itself a regulated activity, which means it isn't something we can look into. Birmingham Midshires' complaints team sent two letters to the wrong address. Birmingham Midshires says this was due to human error. Mr C says his neighbour passed the letters to him. While Mr C says this could have resulted in mis-use of his personal information, there's no evidence this was the case.

For the reasons I've already set out, I don't think Mr C suffered a financial loss due to an error by Birmingham Midshires. But he was caused inconvenience and upset. He received what appeared to be an offer to extend the term and apply a new preferential interest rate product. While this was quickly corrected, it must have been disappointing. And letters containing personal information were sent to the wrong address. I don't think it's fair and

reasonable to require Birmingham Midshires to offer a term extension, or a product that Mr C didn't meet its criteria for. But I do think it's right that it pays compensation.

Birmingham Midshires offered £300 compensation for sending post to the wrong address and Mr C's disappointment when he was told it couldn't offer a new product or term extension. I think, in the circumstances, this is fair and reasonable.

Birmingham Midshires says Mr C can contact its end of term team again, to check if he meets its criteria. The term of Mr C's mortgage is due to expire soon and I would urge him to contact Birmingham Midshires, to explore his options.

Mr C says the offer of the new product and term extension, which he accepted, is legally binding. Whether a contract is legally binding is a matter for a court. Mr C says he might take the matter to court. If he doesn't accept my decision then he will be free to do so.

My final decision

My decision is that Bank of Scotland plc (trading as Birmingham Midshires) should pay £300 to Mr C, if it hasn't already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 27 June 2022.

Ruth Stevenson
Ombudsman