

The complaint

Mrs S complains that Bank of Scotland plc, trading as Halifax ("Halifax") pressured her into paying a lump sum of £15,000 to the outstanding balance on her mortgage account.

What happened

Mrs S received an annual mortgage statement in September 2019. The statement referred to her mortgage as being on an interest-only basis and said that she would need to make sure arrangements were in place to pay off the lump sum amounts by the end of the term. Mrs S had a main mortgage as well as three sub accounts and the statements showed that the remaining terms were between around four and seven years.

This information prompted Mrs S to go to a branch to discuss her mortgage. She was concerned that she would have to pay the outstanding amounts when she hadn't expected to. During the meeting, Mrs S agreed to pay £15,000 towards her mortgage.

Mrs S has complained that she felt pressured into doing so. Halifax looked into Mrs S's concerns and while it didn't know what was discussed at the branch, it offered to return the £15,000 to Mrs S – with deductions for the higher monthly interest she would have paid had the sum not been credited to her mortgage account.

Mrs S didn't initially accept the offer, but she later changed her mind and the refund was credited back to her. But Mrs S wanted to be compensated for the stress and inconvenience caused to her, so she brought her complaint to this service. Our investigator looked into what happened and felt that Halifax should compensate Mrs S with £250. Halifax agreed to do this, but Mrs S felt she should receive £500. As the complaint could not be resolved, it has been passed to me to consider.

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.

Having done so, I agree that the complaint should be upheld, but I think the amount proposed by our investigator is broadly correct. I'll explain why.

Mrs S held a 'Retirement Home Plan' mortgage, which is a Halifax lifetime product. My understanding is that this product is no longer available, but pre-existing products remain in place. The plan is on an interest only basis, so the customer is required to make monthly interest payments, but for this particular product, they're not required to have a repayment vehicle in place to pay off the original loan amount at the end of the term. Instead, should the customer die, the outstanding balance will be cleared when the house is sold.

So, given the content of the annual statement Mrs S received, which said that the outstanding balances had to be repaid by the end of the terms on each account, I can see why Mrs S would have been distressed. And it's reasonable to believe she went to a branch to try and understand what she needed to do.

Mrs S says, at the branch, she was pressured into making a lump sum payment of £15,000. Pressure is a subjective area – what one person perceives as pressure may be different to another. And I can't know exactly what would have been said during the meeting. That means, I have to decide what's more likely than not to have happened.

I've considered the confusion that would have been caused by the statement and the fact a lump sum payment was ultimately made. And I think, while Mrs S may not have been pressured as such, it's more likely than not she wasn't given a clear understanding of how her specific plan operated. I say this because it wouldn't have benefited Mrs S to make a lump sum payment. As long as she kept up with her monthly repayments – the terms on each account would continue to be extended indefinitely. So, there was no requirement to make a lump sum payment and she could have used that sum to continue meeting her contractual monthly payments for a very long time. For these reasons, I think Halifax should compensate Mrs S for any confusion and distress caused.

I have gone on to think about how much would be appropriate in the circumstances.

Mrs S has explained that this had an extreme impact on her mental health and that's the main reason she thinks she should be awarded more. I've thought about this carefully and I empathise with what Mrs S has said about how this affected her. But I've also thought about what was discussed after the event.

I have seen a call record from March 2020 that shows, Mrs S, along with a representative, discussed what happened in detail with Halifax. There was some suggestion that she had wanted to reduce her monthly payments – despite being given more information about the account. Mrs S was made aware that if she receives any letters about the mortgage terms ending, she would just need to call back and they would extend the terms for her. So Mrs S was more informed of the nature of her account at this point and yet she decided not to take the £15,000 back at this time.

To me, it seems possible there was confusion on both parts given the unusual nature of Mrs S's mortgage plan. It's clear Mrs S received some information that was misleading along the way and Halifax should compensate her for that. But I can't say for certain that Mrs S was pressured into making the lump sum payment and – even if she was – Halifax offered to return that sum to her, so she would have been back in the position she would have been in had the lump sum payment not been made. Mrs S seemed to have been satisfied everything was resolved at the time of the call even before the £15,000 was returned to her. So, considering everything, I think the amount proposed by our investigator – £250 – is fair.

Putting things right

Bank of Scotland plc, trading as Halifax should pay Mrs S £250 for the stress and inconvenience caused to her.

My final decision

My final decision is that I uphold this complaint and require Bank of Scotland plc, trading as Halifax to pay Mrs S £250.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 5 August 2022.

Hanna Johnson

Ombudsman