

## **The complaint**

Mr and Mrs R complain that Skipton Building Society mis-calculated their monthly mortgage payments. They ask that Skipton corrects their account and pays compensation.

## **What happened**

Mr and Mrs R chose a new mortgage product in January 2021. This was to take effect in May 2021. As Mr and Mrs R hadn't paid the arrangement fee by early April 2021 Skipton applied the fee to their mortgage account. It wrote to Mr and Mrs R with their new monthly payments.

Mrs R called Skipton later in April 2021 and paid the arrangement fee. Mrs R became concerned that their monthly payments were higher than she'd expected and that she'd paid the arrangement fee twice.

Our investigator said that Skipton had removed the arrangement fee from Mr and Mrs R's account, and their monthly payments were now right. However, Skipton hadn't followed its own processes. It applied the arrangement fee to Mr and Mrs R's account without trying to contact them first. And it didn't tell Mrs R that the monthly payments could be re-calculated after she paid the arrangement fee. Our investigator said Skipton should pay £150 compensation for this.

Skipton agreed that some compensation was due, but said £150 was too much and wasn't justified.

## **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 and Mrs R had an interest only buy to let mortgage. They wanted to live in the property and switch to a residential mortgage. In January 2021 Skipton recommended switching to a repayment mortgage. It recommended a mortgage product and issued a mortgage illustration. This said Mr and Mrs R's monthly payments would be about £1,185, on a capital repayment basis. Skipton said Mr and Mrs M were told during the advised call that this was an estimate and the actual amount would be confirmed when the product rate was applied.

Mrs R said she wanted to pay the arrangement fee (£995) rather than add it to the mortgage balance to avoid paying additional interest. Mrs R says she was told she had to pay the fee before the product took effect (on 1 May 2022).

Skipton hadn't received the arrangement fee by 5 April 2021. It added it to the mortgage balance and wrote to Mr and Mrs R saying it had done this. It confirmed the new monthly payment would be just over £1,207. This was about £22 higher than suggested in the mortgage illustration it issued in January 2021.

Mrs R called and paid the arrangement fee. Skipton removed it from the mortgage balance.

Mr and Mrs R haven't paid the fee twice. They did pay interest on the fee for about 14 days. The total additional interest was about one pound, which Skipton refunded. Mrs R says in effect they're paying the arrangement fee twice due to their monthly payments being higher than agreed. I've explained why this isn't the case below.

Skipton says its usual process is to try to contact the customer about paying the arrangement fee before adding it to the mortgage balance. It didn't do that here. I think Mr and Mrs R would have paid the fee if it had done so. This would have avoided the fee being added temporarily to their mortgage balance, and the upset this caused.

Skipton also says it should have told Mrs R in April 2021 that she could ask for the monthly payments to be re-calculated after she paid the arrangement fee. It says it doesn't do this automatically when the difference in the payments is small, as was the case here. But it will do so when requested by customers. Skipton has since refunded the overpayments, which totalled about £2.

Mrs R wants their monthly payments to be £1,185, as set out in the mortgage illustration. But this isn't something I can't fairly require Skipton to do. Skipton agreed to apply the product interest rate to Mr and Mrs R's mortgage. Skipton calculates the monthly payments based on the mortgage balance, the remaining term and the interest rate. It told Mrs R that the balance and the remaining term changed between January and May 2021. This isn't because Skipton changed the term – in fact the recommendation says the term wouldn't be changed. This is because over three months passed between the mortgage illustration being issued in January 2021 and the new rate being applied on 1 May 2021. As the mortgage is being repaid over a shorter period, each monthly payment needs to be higher. Skipton says it can't provide calculations to Mr and Mrs R to show how their monthly payments are calculated, so this isn't something I can fairly require it to do.

I don't think Mr and Mrs R are out of pocket. Skipton removed the arrangement fee from their mortgage balance, recalculated their monthly payments and refunded the overpayments. Its letters to Mr and Mrs R confirmed that it's applying the interest rate they chose.

But Skipton did make errors and this caused upset and inconvenience to Mr and Mrs R. When considering what compensation is fair and reasonable I need to take into account the effect this had on Mr and Mrs R. Mrs R says she been worried about their payments being wrong for some time. She contacted Skipton in late 2021 and again in April 2022, which supports this. Skipton didn't re-calculate Mr and Mrs R's monthly payments to reflect the arrangement fee being removed, or tell Mrs R this was an option, until April 2022. Skipton says the amounts involved are small, and I don't dispute that. But this was something Mrs R was worried about, and she says she's lost faith in her payments being correct. Some of this upset could have been avoided if Skipton had followed its process in April 2021. Overall, I think compensation of £150 is fair and reasonable in the circumstances.

### **My final decision**

My decision is that I uphold this complaint. I order Skipton Building Society to pay £150 to Mr and Mrs R.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R and Mrs R to accept or reject my decision before 28 October 2022.

Ruth Stevenson  
**Ombudsman**