

The complaint

Mr S complains about delays changing the interest rates on three buy-to-let ("BTL") mortgages with Bank of Scotland plc, trading as Birmingham Midshires Mortgages ("Birmingham Midshires").

What happened

Mr S phoned Birmingham Midshires on 25 October 2021 to apply for an interest rate change on his three BTL mortgages. He was advised that he had to do this through an intermediary, so he found one the same day. Mr S says his intermediary was told the changes couldn't be made because Mr S's mortgages were all flexible and the features he benefitted from wouldn't be possible on the new rate Mr S had chosen. Mr S was also advised there was an error in the title on his profile that would need to be corrected.

Mr S says the intermediary was then told they needed to discuss the changes with a different branch of the business. Mr S carried on corresponding with Birmingham Midshires in an attempt to help resolve the issues as well. And Mr S says, on 29 October 2021, Birmingham Midshires agreed to remove the flexible feature so he could take up the new rate. Mr S says he was reassured he could still benefit from the rate he initially applied for even though Birmingham Midshires had since increased it from 2.24% to 2.34%.

Mr S says he thought everything was going to be resolved at this point, but then on 10 November 2021, Birmingham Midshires said it would need Mr S to formally accept that he would not benefit from flexible features including payment deferrals and drawdown. Mr S is unhappy that the flexible option still hadn't been removed from his account but agreed to have the flexible features removed again. Mr S then received a letter confirming the changes had been arranged, but the letter showed the new increased rate of 2.34%.

Mr S says it took him 15 hours to sort this out including the time it took to submit his complaint to this service. Mr S thinks this is unfair given he's self-employed and this has taken up time he could have otherwise used to work. Mr S wanted the rate to be changed to 2.24% and to be compensated for his time and the stress and inconvenience caused to him.

Birmingham Midshires said it hadn't done anything wrong but after Mr S brought his complaint to this service, as a gesture of goodwill, it offered to apply the original 2.24% interest rate Mr S wanted and backdate this on all three BTLs. Our investigator informed Mr S of the offer and he accepted it, but said he still felt he should be compensated for the time he spent resolving the issue.

Our investigator looked into Mr S's complaint but didn't think Birmingham Midshires needed to do anything more. As Mr S disagreed, the complaint was passed to me for a decision.

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 settlement that's already been offered is fair. I'll explain why.

Birmingham Midshires has explained that as BTLs are not regulated, it doesn't offer advice on these products. So, if any significant changes need to be made, customers are required to do this through a broker. This is Birmingham Midshires' policy and it's not for this service to ask it to change that. Mr S's BTLs were on a flexible basis and removing the options associated with that would have been a significant change, so I don't think Birmingham Midshires did anything wrong when it asked Mr S to submit his application through a broker.

As Mr S's BTLs were flexible, he had options available to him, such as to make overpayments and then take the overpayments back at a later date if he wanted to. Birmingham Midshires no longer offers this type of flexibility on BTLs, and it says Mr S had made use of the flexibility on at least one occasion previously, so I think it's understandable that removing the flexible options needed to be done formally.

Under the circumstances, I would expect the application to take longer to complete than if Mr S didn't have flexible mortgages. I appreciate that based on what Mr S has said, he thought the flexible options had already been removed on 29 October 2021. And I can see he wasn't asked to formally confirm the option should be removed from all of his BTLs until 10 November 2021. But I think it's more likely than not the representative was advising him they would start the process of removing them rather than that this had been finalised. Birmingham Midshires has confirmed it normally takes around two weeks for these changes to be made, so I don't think Mr S has experienced anything out of the ordinary.

Mr S says he spent 11 hours resolving the matter and a further 4 bringing the complaint to this service, and that as a self-employed person he was not being paid to do so. I note Mr S has referred to everyone else that was involved in his request having been paid a salary for their time, but I don't think this is a fair comparison. I appreciate resolving these issues and getting the rates changed might have been frustrating, but Mr S was acting on his own behalf to secure lower rates on his mortgages. The BTLs are his own investment and I don't think it's unexpected that he would need to invest some time in managing them. I don't think this is comparable to individuals who were handling his request as part of their job – those individuals will not be paid by their employers to sort out their own financial affairs.

So, considering everything, I think backdating the interest rate Mr S originally wanted is fair in the circumstances and I understand Birmingham Midshires has already made the necessary adjustments to all three BTLs.

My final decision

My final decision is that I uphold this complaint. Birmingham Midshires has already actioned the proposed settlement, so I make no further award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 8 December 2022.

Hanna Johnson
Ombudsman