

The complaint

This complaint is about a mortgage Mr L and Ms K hold with Clydesdale Bank Plc, trading as Virgin Money ("Virgin Money"). Mr L and Ms K ported their mortgage product to a new property and say Virgin Money didn't apply the correct interest rate. Their rate was due to expire shortly after this, so they applied for a new fixed rate, which also wasn't applied correctly.

What happened

Mr L and Ms K arranged to port their mortgage to a new property through a broker in January 2022. Mr L and Ms K understood everything was sorted out and they would continue paying their old interest rate of 2.18%. But their existing rate was due to end in March 2022, so Mr L and Ms K also applied for a new fixed rate of 1.60% shortly afterwards. The new rate was expected to start immediately after their existing product expired.

In the meantime, Mr L and Ms K discovered their existing interest rate had not been applied to their account, so they'd been asked to pay the standard variable rate of 4.49%. Virgin Money looked into this and confirmed the wrong rate had been applied to their account and as a result, their contractual monthly payments ("CMPs") were higher than they should have been. Virgin Money amended the interest rate and refunded the additional interest Mr L and Ms K had paid.

Following this, Mr L and Ms K's product came to an end, but they then discovered their new interest rate of 1.60% hadn't been updated, so again, Mr L and Ms K were paying the higher, standard variable rate for their mortgage. Virgin Money looked into this further and said it had issued an offer to them on 1 February 2022. Virgin Money says Mr L and Ms K were required to review, sign and return the document before 18 February 2022 in order for the new rate to start on 1 March 2022. Virgin Money says the form was never returned. And, as the offer has now expired, Mr L and Ms K would need to submit a new application.

By this point, the Bank of England base rate had increased, so the standard variable rate had gone up to 4.74%, resulting in higher CMPs for Mr L and Ms K until a new product could be arranged. Virgin Money offered to refund the additional interest for the first CMP and awarded compensation for any distress and inconvenience caused by delays in its responses, but otherwise it didn't think it had done anything wrong in terms of the application for a new interest rate.

Mr L and Ms K remained unhappy as they said the relevant forms were signed and returned to Virgin Money on time, so they brought their complaint to this service. Our investigator reviewed their concerns, but they didn't think Virgin Money needed to do anything more to resolve the complaint. Mr L and Ms K disagreed, so the complaint was passed to me to decide.

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 don't think Mr L and Ms K's complaint should be upheld. I'll explain why.

Virgin Money has accepted full responsibility for Mr L and Ms K's interest rate not being correctly applied to their account when they ported their mortgage. I've looked at the compensation Virgin Money has paid to put Mr L and Ms K back in the position they would have been in, and I'm satisfied it has corrected its mistake.

So, I think the crux of this complaint is about the unresolved issue concerning Mr L and Ms K's application for a new fixed rate product. Mr L and Ms K expected their new rate to start as soon as their existing fixed rate came to an end on 1 March 2022. This would have prevented them from paying higher CMPs on the standard variable rate.

I've seen a copy of the offer that was sent to Mr L and Ms K's broker. The letter said 'warning!' in red and went on to say:

"If your client wants their new deal to start on the 1st of the month, we need the signed paperwork by the 18th of the month before. If we get it in time, everything will be good to go on the 1st. If we don't we'll try to be ready but we can't promise. For example, if someone wants their new product to start on 1 September, we'll need the paperwork by 18 August. Got a question? No problem, just give us a call."

Virgin Money says following this letter, it didn't receive a signed copy of the offer and without this it was unable to apply the new rate to Mr L and Ms K's mortgage.

In order for me to find Virgin Money had done something wrong, I'd need to be satisfied the documents were signed, returned, and that Virgin Money had either lost the documents or not processed the documents on time. Ms K says she posted the documents to Virgin Money using a pre-paid envelope and put it in a post box near her home. She says she always returns documents punctually and didn't anticipate there being any problems with a pre-paid envelope. Unfortunately, while I don't doubt Ms K's recollection of returning the documents, there's no record that anything was received by Virgin Money.

To uphold this part of Mr L and Ms K's complaint, I would need to see something like a Royal Mail recorded delivery status update confirming receipt at Virgin Money's address, or a copy of an email showing the documents were returned to the email address Virgin Money asked for the documents to be sent to. Without evidence such as this, I can't reasonably say Virgin Money should take responsibility for the missing document.

I've thought about whether Virgin Money should have got in touch with Mr L and Ms K or their broker. But I wouldn't expect Virgin Money to chase customers to return documents relating to applications, because it's up to customers to decide whether they wish to proceed with applications or not. So, if the signed documents were not received, I can't hold Virgin Money responsible for the new interest rate not being applied to Mr L and Ms K's account when they expected it to be.

I've also thought about the error Mr L and Ms K had already experienced and given what happened, I would have expected Mr L and Ms K and their broker to notice that they hadn't received any confirmation of the new rate being agreed. When they ported their mortgage, they received a letter shortly afterwards to confirm the rate, the CMP, and when the first payment would be due. So, I would have expected them to have been waiting for something similar to this, and to check everything was ok when they didn't receive anything.

Virgin Money's provided its call records and I can't see any evidence of Mr L, Ms K, or their broker contacting Virgin Money to ask why they hadn't received any paperwork confirming the new interest rate was ready to start on 1 March 2022. The broker has also supplied records which tie up with Virgin Money's records, showing that they didn't contact Virgin Money to check the rate was ready to start. So, I don't think Virgin Money had any reason to notify Mr L and Ms K or their broker that the signed documents hadn't been received.

I understand Mr L and Ms K have found the situation stressful and their CMPs are much higher than expected which is having a significant impact on their ability to keep up with payments and other expenses. But Mr L and Ms K chose not to submit a new application for a fixed rate while their complaint was ongoing, so they haven't attempted to mitigate their losses, and that was their choice. Given what I've said above, while I'm sorry Mr L and Ms K find themselves in this situation, I'm satisfied Virgin Money has corrected the initial mistake and I can't hold it responsible if the documents for the new interest rate were not received.

It does appear Virgin Money didn't always respond to Mr L and Ms K in a timely manner following their complaints, but Virgin Money has offered £175 to compensate Mr L and Ms K for that and I'm satisfied this is fair and reasonable in the circumstances. It follows, I don't think Virgin Money needs to do anything more. It's not clear whether the award for distress and inconvenience has been paid yet. If it hasn't, Mr L and Ms K can now decide whether they wish to accept Virgin Money's original offer.

My final decision

For the reasons explained above, I don't uphold Mr L and Ms K's complaint. If Mr L and Ms K accept my decision, Clydesdale Bank Plc, trading as Virgin Money should pay any outstanding compensation not already paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L and Ms K to accept or reject my decision before 8 February 2023.

Hanna Johnson
Ombudsman