

The complaint

This complaint's about a mortgage that Mrs and Mr P hold with Belmont Green Finance Limited trading as Vida Homeloans (Vida). The essence of the complaint is that Vida didn't make it clear to them that the payment break agreed during the first COVID-19 pandemic lockdown in 2020 didn't include the completion interest from when the mortgage started. This meant the completion interest went unpaid after the payment break ended, and blocked Mrs and Mr P from accessing a new fixed rate deal when their initial rate ended earlier this year.

What happened

By way of two provisional decisions, dated 16 November and 5 December 2022 respectively, I set out my provisional conclusions on this complaint. The following is an extract from the second provisional decision.

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

The information Vida has provided in response to my provisional decision changes things; I have to say, however, I am at a loss as to why it did not provide this information when our investigator first asked for it. It would have been helpful to know not just what product Mrs and Mr P would have been offered in February 2022, but also what the variable rate was in the interim period.

For all the reasons I set out in the first provisional decision, I remain of the view that Vida failed to tell Mrs and Mr P what they needed to know when they needed to know it. The letter from November 2021 might warn of difficulties in borrowing money in future if the arrears weren't cleared, but it didn't warn that eligibility for a new rate would be affected too.

I also remain of the view that, if they had been better informed, Mrs and Mr P would have acted to preserve their eligibility for a new rate and, would in all likelihood, have taken a two-year deal at 5.14% if it had been offered to them in February 2022. What is now not so obvious, is whether they are better or worse off, in the long term. Yes, the rate they would have taken in February 2022 is lower than the rate they took in October 2022, by 0.2%.

But based on what Vida has now told us, the variable rate between April and September 2022 inclusive was lower than 5.14%, by as much 0.65%. This begs the question, and it is incumbent on Vida to answer it, is whether the one outweighs the other. I think it likely that Mrs and Mr P would have been better off over time if they had taken the 5.14% deal in the spring of 2022 rather than the 5.34% deal in the autumn with SVR in between. But to be sure, Vida, as part of its response to this second provisional decision, will need to provide comparative calculations to demonstrate which of the two alternative products results in the least cost to Mrs and Mr P over their respective terms.

As to the point about credit reporting, I'd ask Mrs and Mr P, as part of their response to this second provisional decision, to provide full unedited copies of their respective credit files, in order that I can assess the fairness or otherwise of what Vida has reported on them. To be clear, if this information isn't provided, I can't make any order that Vida should amend its reporting.

My provisional decision

My provisional decision is that I intend to uphold this complaint, by ordering Belmont Green Finance Limited trading as Vida Homeloans to do the following:

- in the event that it is shown to be financially beneficial to Mrs and Mr P, replace the two-year fixed rate of 5.34% agreed in August 2022 and starting on 1 October 2022 with the two-year fixed rate of 5.14% that Vida has said would have been available to choose on 1 February 2022 and starting on 1 April 2022;
- in the event that replacing the product is beneficial to Mrs and Mr P, and if they so request it, refund the resultant overpayments with interest, less tax if applicable, as set out above
- in the event Mrs and Mr P provide evidence of adverse reporting of the arrears, amend their credit files to reflect how they'd appear if the April 2020 interest had been paid in May 2020; and
- pay Mrs and Mr P £300 compensation for their time, trouble and upset.

In the event that the calculations show Mrs and Mr P to be better off overall on the product they have currently, then I shall simply order Vida to pay Mrs and Mr P compensation of £200. This lower amount reflects that they have been put to a great deal of time and trouble, but removes the element I included to reflect the worry of paying SVR during the interim, given that it was in fact, lower rather than higher, than either of the fixed rates."

As with the first provisional decision, I gave both parties two weeks to provide further evidence and comment. That time has now passed, and both parties have responded. Mrs and Mr P emphasised how they had acted immediately to deal with the arrears, once they became aware there was a problem. They arranged things over a phone call, during which they said they asked if the payment arrangement would affect their credit file or their ability to get a new rate, and were told no on both counts. Mrs and Mr P also took issue with the proposed rate of 5.14%, saying the upward movement in rates generally hadn't started on 1 February 2022.

Vida provided the calculations I asked for, which show that Mrs and Mr P would be better off financially, by around £225, if they were now to be switched to the two-year fixed rate of 5.14% that Vida has said would have been available to choose on 1 February 2022 to start on 1 April 2022. Vida also provided recordings of its phone conversations with Mrs and Mr P, which we requested following Mrs and Mr P's response.

Vida again asked that I take into account that when it offered Mrs and Mr P the chance to access the portal to apply for a new rate as a concession, they didn't take it immediately. It also asked me to consider that the product Mrs and Mr P are on now might actually offer them more certainty for longer, and that there's no way of knowing how the mortgage market conditions will look in March and October 2024, the respective end dates of the two alternatives.

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.

I've considered afresh everything that both parties have said and provided. Having done so, I haven't changed my mind that the complaint should be upheld in Mrs and Mr P's favour. But I will address the comments from both parties.

In response to Mrs and Mr P's point about the general level of interest rates, it's not the case that they only began to rise after 1 February 2002; the Bank of England Base Rate rose in December 2021. Also, borrowers generally don't only take a new rate because it is lower than what they already had; fixed rates are also about stable budgeting and certainty; I'll come back to that in due course.

I've listened to the phone conversations Mrs P had with Vida on 15 November 2021, when the arrangement was set to sort out the arrears. Vida has said Mrs and Mr P didn't raise their comments about the phone conversations in their original complaint. I'm not sure what point Vida is trying to make there. The phone calls are relevant evidence regardless of when Mrs and Mr P first mentioned them, and having listened to them, I have to say they don't help Vida's case.

When discussing the duration of the payment arrangement, Mrs P indicated they preferred six months starting in December 2021. But they also said they didn't want any problems when it came to getting a new deal; Vida's first call handler didn't draw their attention to the conflict in those two objectives.

She told them there'd be no impact on their credit score and no monthly arrears management fees, and then told them about the mechanism for requesting a new rate when the time came. But she didn't tell Mrs P that this mechanism wouldn't work if they were still in arrears. Mrs P was passed onto a second call handler, who gave her more information about the online mechanism for selecting a new rate. Mrs P looked this up whilst still on the line, and this told her she couldn't access rates because of the arrears. She was then transferred to a third call handler who told her, in summary, that the system needed 24 hours to update with details of the payment arrangement she had just agreed, and all would then be fine.

Regarding Vida's further comments, I've already taken account of the point about Mrs and Mr P not immediately applying for a new rate when it provided them the concession in response to their complaint. Had they done so, it's reasonable to infer they'd have been offered the two-year fixed rate of 5.14% that I'm now proposing Vida switch them to. So it's not material to the outcome.

Vida makes a valid point about what might or might not be happening in the mortgage market depending on whether Mrs and Mr P are looking for another new rate in March 2024 or October 2024. But that isn't a reason for me not order the switch of product as part of the settlement of the complaint. It's simply something for Mrs and Mr P to think about when deciding whether to accept the final decision *and* the settlement it provides them with. So, allow them to make that decision freely, Mrs and Mr P can, if they wish, accept the final decision on its broad outcome, thus making it binding on both parties. But if they prefer to leave the mortgage as it is, they can still receive the compensation I am awarding.

Mrs and Mr P haven't sent us their credit files; that means I won't make any award regarding the information Vida has reported. Also, Mrs and Mr P haven't said they'd like the overpayments that would result from the mortgage being switched to the 5.14% rate refunded to them. That means the overpayments will stay on the mortgage account.

My final decision

My final decision is that I uphold this complaint, by ordering Belmont Green Finance Limited trading as Vida Homeloans to do the following:

- unless Mrs and Mr P indicate their preference that the mortgage stay as it is, replace the two-year fixed rate of 5.34% agreed in August 2022 and starting on 1 October 2022 with the two-year fixed rate of 5.14% that Vida has said would have been available to choose on 1 February 2022 and starting on 1 April 2022; and
- regardless of whether Mrs and Mr P indicate a preference for the mortgage to be changed as above, pay Mrs and Mr P £300 compensation for their time, trouble and upset.

I make no other order or award. My final decision concludes this service's consideration of this complaint, which means I'll not be engaging in any further consideration or discussion of the merits of it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs and Mr P to accept or reject my decision before 17 January 2023.

Jeff Parrington

Ombudsman