

The complaint

Ms A is unhappy that Bank of Scotland plc trading as Birmingham Midshires hasn't provided a sufficient explanation for errors it made in calculating her monthly payments over the life of three mortgages she's held with it.

What happened

In May 2019, Birmingham Midshires wrote to Ms A in relation to three mortgages she had with it, including one that she'd redeemed. It explained that it had identified an error in how it had been calculating her monthly payments.

On all three, Birmingham Midshires had asked for less than it should have overall. This meant that Ms A had a higher balance owing on the two mortgages that were still running than she would have if she'd made the repayments Birmingham Midshires should have asked for.

To put this right Birmingham Midshires said it would reduce her balance by the difference between these amounts (i.e. what she owed vs. what she should owe). And for the months that it had asked for a higher amount than it should have it, Birmingham Midshires said it would pay Ms A interest at a rate of 8% on the difference between what she paid and should have paid.

For the one remaining mortgage affected which was redeemed in 2014, Birmingham Midshires sent Ms A a cheque, with the redress. It calculated how much less Ms A would have owed when she redeemed her mortgage if she'd made the payments it should have asked for and applied interest at a rate of 8% on this amount. Ms A asked for more information about the review and why there were errors in the calculations.

In April 2020, Birmingham Midshires provided Ms A with a detailed breakdown of the discrepancies on the three affected mortgages – this set out the reason for the discrepancy and the amount Ms A had been overcharged or undercharged.

Ms A remained unhappy and didn't think she'd been given a sufficient explanation or compensation. Ms A also said that she'd had payment difficulties in the past including needing to take payment holidays, and it was stressful not knowing what had happened.

Birmingham Midshires didn't uphold Ms A's complaint, it said it hadn't received all the letters from Ms A that she'd referred to, and that it had put matters right in relation to its calculation errors. It also said, in reference to Ms A's points about having struggled with repayments in the past, that as it had asked for less than it should have overall this wouldn't have adversely affected her at the time.

When Ms A complained to our service, the investigator upheld the complaint in part. They thought Birmingham Midshires had provided Ms A with the information she'd asked for and put matters right in relation to its calculation errors. But they also recommended Birmingham Midshires pay Ms A £200 compensation in recognition of how long it had taken Birmingham Midshires to provide Ms A with the detail she had asked for.

Birmingham Midshires accepted this, but as Ms A didn't agree the case was passed to me for consideration by an ombudsman.

I issued my provisional decision on 5 December 2022 – in summary I agreed Birmingham Midshires had put right any financial loss caused to Ms A as a result of its error and that it would be fair for Birmingham Midshires to pay Ms A £200 compensation. I also shared what I thought Ms A was referring to in relation to her points around her previous difficulty making payments, why I didn't think the calculation issue would have made her financial problems worse at the time, and invited any further comments.

Birmingham Midshires agreed with my provisional decision, but Ms A did not. She said I hadn't fully addressed her complaint but didn't clarify what she thought I hadn't addressed or provide any new information by the deadline.

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 still think the £200 compensation Birmingham Midshires is now offering is a fair resolution to this complaint, I'll explain why.

It's not in dispute that Birmingham Midshires made an error in how it calculated the monthly payments Ms A needed to make on three of her mortgages with it.

Birmingham Midshires has explained that this was due to changes it had made to its systems. Essentially this was caused by incorrect interest-bearing balances being used to recalculate payments following certain amendments made to the accounts. This mostly happened when the Bank of England base interest rate changed as Ms A's mortgage interest rates were linked to this.

In the breakdown provided to Ms A in April 2020, the column called "*mortgage account event*" explains the reason for the discrepancy on each occasion, and the table also shows the mortgage payment difference. So, I think Birmingham Midshires has provided Ms A with a sufficient explanation for what caused the discrepancies and to show how it calculated the redress to put matters right. I think Birmingham Midshires' letters in May 2019 explained the logic behind how it would be putting matters right, which for the avoidance of doubt I agree is a fair way to do so.

Birmingham Midshires has confirmed to Ms A that this issue had been identified as part of an internal review. So, I think it's answered her questions about what's happened in relation to this issue. But I agree that it took too long to do this and that has been stressful for Ms A. I appreciate Ms A wanted to understand what had happened and to have reassurance that the right steps had been taken to address the issue. Birmingham Midshires has agreed to pay Ms A £200 compensation and I think this is a fair amount in the circumstances.

I've considered Ms A's points that she'd had difficulties meeting her payment obligations in the past and needed to take repayment holidays. I think Ms A is referring to the payment holidays she had in late 2006 on one account, and possibly when Ms A asked for a payment holiday in July 2007 which was declined. As Ms A hasn't said that she was referring to another occasion, I've considered her point in relation to these. Having done so, I don't think the calculation errors that are the subject of this complaint would have made her situation worse at the time, this is because she was being asked to pay less per month (rather than more) as part of this error in calculation.

Putting things right

I understand Ms A may not have cashed the cheque she received and so if Birmingham Midshires hasn't already done so it should pay Ms A the remainder of the settlement in addition to the £200 compensation.

My final decision

My final decision is that Bank of Scotland plc trading as Birmingham Midshires should pay Ms A £200 compensation in addition to paying her anything outstanding from the account recalculations if Ms A's initial cheque hasn't been cashed.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms A to accept or reject my decision before 18 January 2023.

Stephanie Mitchell
Ombudsman