

The complaint

Mr M1, and his brother Mr M2, complain that Bank of Scotland plc trading as Halifax has not honoured a mortgage interest rate they were told in a telephone call.

What happened

On 16 March 2021, Mr M1 telephoned Halifax to enquire about what interest rate he and Mr M2 could obtain if they took out a mortgage with it as existing customers. The staff member took some initial information from Mr M1 in relation to the purchase price of the property and their deposit, to calculate the relevant loan to value (LTV). During this telephone call, the adviser quoted Mr M1 a two-year fixed interest rate of 1.99% based on an LTV of 85%. This was based on it being a residential repayment mortgage. The adviser also agreed to email Mr M1 this information and explained that the rate was only guaranteed for that day as they are subject to change.

Mr M1 called Halifax back the next day, having not received an email. He spoke to a different adviser, who took the same information from Mr M1 to determine what rate he and Mr M2 would be eligible for. This time, the advisor quoted a two-year fixed interest rate of 2.46% based on an LTV of 85%. And explained the interest rate of 1.99% was only available up to a maximum LTV of 80%.

Mr M1 explained that he had been led to believe they could get an interest rate of 1.99% and so they were planning to pursue this mortgage rather than go through a broker. He felt Halifax should honour the rate he had been told the day before. The adviser explained this rate wasn't available to Mr M1 and Mr M2 and that it was unlikely Halifax would honour this rate – but he agreed to escalate the matter to a manager.

On 7 May 2021, a broker submitted a mortgage application to Halifax on behalf of Mr M1 and Mr M2. On 21 May 2021 Halifax issued a mortgage offer to Mr M1 and Mr M2 at a fixed rate of 2.33% until 30 September 2023. Mr M1 and Mr M2 proceeded with this mortgage which completed on 22 June 2021.

Halifax didn't uphold the complaint – in summary it said that interest rates aren't secured until a formal application is made and a mortgage offer is issued. Mr M1 and Mr M2 were offered the correct product when their application was made, which they chose to accept.

When Mr M1 and Mr M2 complained to our service, the investigator upheld the complaint in part. They agreed Halifax wasn't required to honour the rate it provided over the telephone ahead of any formal application, as they didn't think this would ever have been available to Mr M1 and Mr M2 based on their LTV and that this rate was never formally offered or guaranteed. However, they thought Halifax ought to pay Mr M1 and Mr M2 £50 compensation for providing incorrect information to Mr M1, leading them both to experience a loss of expectation.

Mr M1 and Mr M2 didn't think this was enough compensation – they said they thought Halifax should pay them £1,250 based on this being half of the addition cost they'd incurred by not receiving an initial fixed rate of 1.99%. Halifax didn't provide a response.

So, the complaint has been 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 agree Halifax should pay Mr M1 and Mr M2 a total of £50 compensation for similar reasons to the investigator.

Having listened to the calls on 16 and 17 March 2021, I think it's likely that Halifax did quote an incorrect interest rate to Mr M1 on 16 March 2021. This is because Mr M1 was told the relevant lowest two-year fixed interest rate it had for an 85% LTV was 1.99% with a product fee, and the next day he was given a different figure. He was also told the rates hadn't changed since the day before. Further, I think it was poor customer service to agree to email Mr M1 the information discussed if this wasn't something that team offered.

However, I can also see that this issue was rectified quickly. Mr M1 was given the correct information the next day i.e. on 17 March 2021 when he spoke to a different adviser. At this point it was explained to Mr M1 that to be eligible for the interest rate he was quoted on 16 March 2021, their LTV would need to have been 80% or less, rather than the 85% LTV Mr M1 and Mr M2 wanted to apply for.

When considering how to put matters right, I've thought about what should have happened and what impact the error had on Mr M1 and Mr M2. Here, Mr M1 should have been given the correct information on 16 March 2021. If this had happened, Mr M1 wouldn't have experienced the disappointment and stress caused by the change to what rate he thought he and Mr M2 could apply for. But I don't think Mr M1 and Mr M2 have incurred any financial loss – this is because the error didn't change the interest rate they were eligible to apply for.

Importantly, this incorrect information was given at an informal enquiry stage. Interest rates offered by lenders vary, and there were a range of steps that would need to have taken place before Mr M1 and Mr M2 could rely on an interest rate being secured. This included Mr M1 and Mr M2 making a formal mortgage application with supporting evidence. An interest rate is not secured until a formal mortgage offer has been made.

Halifax was clear in both the call on 16 and 17 March 2021 that the interest rates could change any day and so Mr M1 was made aware of this possibility. And Halifax did subsequently change the interest rates on its products before Mr M1 and Mr M2 made a mortgage application with it via a mortgage broker.

So, for these reasons I don't think it would be reasonable to require Halifax to honour the incorrect interest rate provided on 16 March 2021. However I do think some compensation is appropriate to recognise the additional call Mr M1 made on 17 March 2021 after not receiving an email as expected, and the disappointment of finding out he wouldn't be able to proceed to apply for a mortgage at the interest rate he was expecting.

For the avoidance of doubt, I haven't seen anything to suggest there were any issues with the accuracy of the interest rate information provided in Halifax's mortgage offer that Mr M1 and Mr M2 did proceed with.

Putting things right

For the reasons explained, I think Halifax should pay Mr M1 and Mr M2 a total of £50 compensation for the impact its error had on them.

My final decision

My final decision is that Bank of Scotland trading as Halifax should pay Mr M1 and Mr M2 a total of £50 compensation.

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

Stephanie Mitchell
Ombudsman