

The complaint

This complaint is about a Halifax-branded mortgage Mrs and Mr S held until recently with Bank of Scotland plc (BOS). They're unhappy because they say that BOS misled them into thinking they could continue paying interest at a fixed rate in the period between the expiry of the fixed rate deal and the mortgage being repaid from the sale of their home.

What happened

The broad circumstances of this complaint are known to Mrs and Mr S and BOS I'm also aware that the investigator issued a detailed response to the complaint, which has been shared with all parties, and so I don't need to repeat the details here.

Our decisions are published, and it's important that I don't include any information that might result in Mrs and Mr S being identified. Instead I'll give a brief summary and then focus on giving the reasons for my decision. If I don't mention something, it won't be because I've ignored it. It'll be because I didn't think it was material to the outcome of the complaint.

Mrs and Mr S' mortgage was due to be repaid by 31 July 2022; they were planning to achieve that by selling their home. BOS was willing to give them a grace period for the sale to go through. Meanwhile, their existing fixed rate deal was also ending on 31 July 2022, and when they asked on the phone if the terms of the mortgage would stay the same during the grace period, they were told yes. In reality, the mortgage went onto BOS' standard variable rate (SVR) on 1 August 2022, and their monthly payment went up significantly.

Mrs and Mr S complained, saying BOS should have extended the fixed rate until the house was sold and the mortgage repaid. In its response, BOS said that it hadn't been asked specifically if the interest rate would stay the same, but agreed the call handler should have "read between the lines". It apologised and paid Mrs and Mr R £40 compensation.

Our investigator thought that in broad terms, BOS had dealt with the complaint fairly so didn't recommend it be upheld. But he did think BOS should increase its compensation award from £40 to £150 in total. BOS agreed to do that, but Mrs and Mr S have asked for the case to be reviewed by an ombudsman.

What I've decided – and why

I'll start with some general observations. We're not the regulator of financial businesses, and we don't "police" their internal processes or how they operate generally. That's the job of the Financial Conduct Authority (FCA). We deal with individual disputes between businesses and their customers. In doing that, we don't replicate the work of the courts.

We're impartial, and we don't take either side's instructions on how we investigate a complaint. We conduct our investigations and reach our conclusions without interference from anyone else. But in doing so, we have to work within the rules of the ombudsman service, and the remit those rules give us.

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, what follows are my conclusions and the reasons for them.

It's common ground that BOS could have done a better job of informing Mrs and Mr S on the phone about what would happen during the grace period after the fixed rate deal and mortgage term had expired. It's also right that BOS should compensate Mrs and Mr S for not doing a better job, and I agree with the investigator that £150 in total is fair in the circumstances.

However, those conversations aren't ultimately what the wider outcome of the complaint turns on. That's because, where a consumer has been given incorrect information, we don't tell the business to put the consumer into the position they'd be in if the incorrect information had been correct. Rather, we tell the business to put the consumer in the position they'd be in if the correct information had been given in the first place. Here the information was not so much incorrect as incomplete and potentially misleading, but the general principle holds.

Mrs and Mr S say they have been charged interest at a much higher rate than agreed. I'm afraid they're mistaken. I said a moment ago that the content of the phone calls isn't what the case turns on; what it does turn on is the agreement Mrs and Mr S entered into with BOS when the mortgage was put onto the final fixed rate deal before redemption. That agreement was entered into in April 2020, and it specified the following:

- the mortgage term was two years, four months;
- the fixed interest period was two years, four months; and
- if the mortgage was still in place after two years and four months, interest would be charged at the SVR.

What that means is that Mrs and Mr S have been charged interest at exactly the same rates that were agreed. It also means that, notwithstanding any ambiguity or shortcoming there may have been in what BOS told them on the phone in 2022, Mrs and Mr S were always in possession of the correct information, by virtue of their mortgage offer from 2020.

Mrs and Mr S say that if they hadn't been misled on the phone, they'd have had more time to consult their financial adviser about sourcing short-term, lower-cost finance to repay the mortgage. I have to say I'm not convinced how likely it is that Mrs and Mr S could have saved money doing that, given the likely fees and set up costs involved. But as I've already found they had the correct information all along, in writing, Mrs and Mr S could have started such an enquiry as soon they knew they'd need more time after the mortgage expiry date to complete the sale.

My final decision

I uphold this complaint in part only. In full and final settlement, I order Bank of Scotland plc to pay Mrs and Mr S £110, on top of the £40 already paid, making £150 in all. 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 S to accept or reject my decision before 27 March 2023.

Jeff Parrington
Ombudsman