

The complaint

Mrs M complains that Bank of Ireland (UK) Plc (BoI) caused delay in her taking a new interest rate on her mortgage.

What happened

Mrs M has a mortgage with BoI. Sadly her property was very badly damaged in a fire. It was then rebuilt following an insurance claim.

Meanwhile, Mrs M's fixed interest rate came to an end. She asked BoI about a new rate. BoI initially refused a new rate, until the property works had been completed. It then agreed a new interest rate, and agreed to backdate the rate to June 2022.

Mrs M wasn't happy with that. She felt she should have been allowed to take a rate sooner. She said that BoI had caused significant delay, because it hadn't made clear what it would need before agreeing a new rate. In particular, it had delayed in sending a valuer to value the rebuilt property, and hadn't told Mrs M what documents it would need to see. Mrs M said that it had taken a long time, and a lot of stress and effort on her part, to sort things out. She wanted the rate backdated further than June 2022, and didn't think the compensation BoI offered of £150 was enough.

BoI said that the first time it was aware that the rebuild had been completed and Mrs M had moved back into the property was when she called on 21 April 2022 – days before her fixed rate ended at the end of the month. It said that Mrs M hadn't been able to apply for a rate switch online before that, as it had put a hold on the account pending confirmation that the property had been satisfactorily repaired. BoI said that before it would allow a rate switch it needed a valuation to be carried out, to confirm that the rebuild had been completed appropriately and the property was now good security for the lending.

BoI accepted it didn't tell Mrs M this until 10 May 2022, and that even then its communication wasn't as good as it could have been. This was why it had offered £150 compensation, and to backdate the new rate to June 2022. But it didn't think it should backdate the rate further than that, because it would always have taken some time from April 2022 for its requirements to be met and Mrs M's application to go through.

Our investigator thought that the offer to backdate the rate to June 2022 – but no further – was fair in all the circumstances. But he thought BoI should increase the compensation to £300 to reflect the impact of the delays on Mrs M. BoI didn't agree and asked for an ombudsman to review the complaint.

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'm sorry to hear of the difficulties Mrs M had with her property. It must have been a very distressing experience and I'm glad to hear it's now been fully repaired.

When Mrs M told Bol of the fire in 2020, it acknowledged what she'd said and asked to be kept updated. It appears Mrs M didn't get back in touch with Bol until April 2022, when her fixed rate was about to expire.

It was reasonable for Bol to want further information before agreeing a new rate. It wanted to confirm that the property had been rebuilt and was again good security for the mortgage. This means that Bol could be reassured that it still had security for its lending – and protects Mrs M too, since Bol wouldn't tie her into a new rate (including an early repayment charge) until it was sure she was able to live in the property and the mortgage would continue.

As Mrs M didn't contact Bol until just before the end of her existing rate, there would never have been enough time for her to move from the old rate straight on to a new one. I think both parties are responsible for this; Bol should have made clearer to Mrs M when it wrote to her in 2020 that until the rebuild was completed she wouldn't be able to apply for a new rate. And Mrs M should have kept Bol updated between 2020 and 2022, as it had asked – and she could have asked about a new rate more than a few days before the old one expired.

So I don't think it would be fair to backdate the rate beyond June 2022. From the point at which Mrs M did contact Bol, in late April, it would always have taken a few weeks to satisfy Bol that it could now offer a new rate and to put one in place.

Putting things right

That means that Bol's offer to ensure that Mrs M was able to take a rate from the range available in April, and have the implementation of that rate backdated to June, puts her back in the position she would have been in had Bol made clearer in April 2022 what needed to happen next.

But it didn't make that clear, as it acknowledges. That led to delay in Mrs M's application being completed. I've taken into account what both parties have said about this. And I've thought about the impact of the delay on Mrs M in her particular circumstances. The failures in communication meant Mrs M's new rate wasn't in fact implemented for several months. In the meantime she spent a lot of time trying to resolve things with Bol, and had to find much higher mortgage payments than she otherwise would have done. This was a stressful and difficult time, in addition to the inconvenience of spending time trying to resolve matters.

Implementing a rate that was available in April 2022, backdating its start to June 2022 and refunded the extra interest Mrs M paid in the meantime, fairly compensates Mrs M for her financial loss. In addition to that, I agree £300 compensation is fair to recognise the distress and inconvenience caused to Mrs M.

My final decision

My final decision is that I uphold this complaint. In addition to the backdated rate and interest refund it has already implemented, Bank of Ireland (UK) Plc should increase its offer of compensation to £300.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 7 November 2023.

Simon Pugh
Ombudsman