

## The complaint

Mr M complained about what happened when he tried to make a lump sum repayment and remortgage, at the same time, with Northern Bank Limited trading as Danske Bank (“Danske”). He wanted Danske to compensate him for the delays it caused.

## What happened

Mr M told us that at the start of July 2022, he wanted to make a large lump sum repayment to his mortgage, clearing about a third of the overall debt, and also to agree a new fixed interest rate deal with Danske for the rest. But he said this proved very difficult. He said he was told different things by Danske. As an example, he was told at first that he could only make the repayment in a branch, but then when he travelled to a branch, that he could only make the repayment over the phone. He said he was told four different things by five members of staff.

Mr M said he was finally able to send the payment on 21 July, but Danske didn’t process the overpayment or put the new fixed rate deal onto his mortgage until 26 August. His overpayment was just sitting in his mortgage servicing account during all this time. Mr M said he was still being charged 3.94% on his mortgage during this time, while the overpayment earned no interest. And he said that the delay meant he wouldn’t benefit from two whole years of the fixed interest rate deal, he’d only get around one year, ten months.

Mr M wanted compensation for the financial loss, and for the time this had taken up. He said Danske had offered to reimburse £231.75 in overpaid interest and £50 for inconvenience but he thought that fell far short of the extra profits Danske would make at his expense. He had asked Danske to reimburse all mortgage interest payments between 5 July when he started this process, and 26 August when his new mortgage finally started. But it wouldn’t. Mr M said that given interest rate changes since then, he thought Danske should pay more.

Danske accepted it had caused delays in this case. It accepted that Mr M’s mortgage could have been ready to draw down from 11 July, if there had been no delays. So it had agreed to pay Mr M the difference between what he’d paid on his previous mortgage (on a tracker rate) and his new fixed interest rate from 11 July to 3 August, because of the earlier problems Mr M experienced. That worked out at £121.46.

Danske told us that Mr M was unsure on 4 August whether he wanted to complete his application with the original end date, so it had referred him to a mortgage consultant. And it didn’t get the outcome of that, saying Mr M did want to go ahead, until 25 August, although it thought Mr M had probably spoken to the consultant well before that.

Danske said because of this, it had also paid Mr M the difference between his old and new mortgages for the period from 4 August to 25 August. That worked out at £110.29, and Danske also paid £50 on top for the inconvenience.

Mr M said he thought that he’d lost out by not being able to invest the money that had been sitting in an account, waiting for Danske to use to it pay off part of his mortgage. But he said

that the main loss he'd suffered was his time – he told us that he'd spent about six hours in total trying to sort this out, including the time taken to complain to our service. He said Danske should be held to account.

Our investigator thought part of this complaint should be upheld. She said Danske caused considerable delays to the drawdown of the mortgage. She thought Danske was right to cover Mr M's losses from 11 July to 25 August, but she said that Danske had based this on the amount of Mr M's mortgage before the reduction, and if everything had been done without delays, Mr M would not only have been paying a reduced interest rate from 11 July, but he would also have been paying that interest on a lower balance, because he would have been credited with the money to pay off around a third of his mortgage.

Our investigator asked Danske to rework Mr M's mortgage, so that his new interest rate was applied on 11 July, and his overpayment was applied on 11 July. She said it should reimburse any additional interest paid by Mr M while he remained on the tracker interest rate due to delays caused by Danske. This additional interest should either be credited to Mr M's mortgage to reduce the balance or refunded to him with 8% simple interest.

Our investigator said she didn't think Danske had to pay Mr M for any losses because he hadn't been able to invest the money which was waiting to pay off his mortgage. She said it would be applied against his mortgage instead. And she didn't think Danske had to extend the period of his fixed interest rate, she said that he would benefit from a longer period of this fixed rate due to Danske's backdating of this deal.

Our investigator did think Danske should increase its compensation payment to Mr M. She said it should pay him a total of £200 in compensation to reflect the stress, frustration and inconvenience he had experienced.

Mr M thanked us for looking into his complaint, but he said £200 wasn't enough to cover his losses. Mr M said he had details of fifteen calls he'd had with Danske about this. He said he'd also emailed, visited the branch, waited in call queues which were never answered and finally spent time referring the complaint to us. He told us his professional charge out rate, and said he would like compensation amounting to six hours at this rate.

Our investigator didn't change her mind. She said cases are brought to our service in someone's personal capacity, so we couldn't award Mr M compensation based on his professional rate. Because no agreement was reached, this case came to me for a final decision.

### **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 reached the same overall conclusion on this complaint as our investigator.

It's clear that Danske has caused some delays in this case, and the bank has accepted that. I think that putting Mr M in the position he would have been in, if his overpayment had been applied and his new mortgage had completed on 11 July, does provide part of a fair and reasonable outcome to this complaint. I will include that in my award below.

I think that backdating Mr M's new mortgage rate to 11 July means Mr M will benefit from almost two years of his chosen interest rate deal, and I think it's unlikely that Mr M's

mortgage could have completed before this even without any delays caused by Danske. So I don't think Danske has to extend the term of Mr M's new fixed interest rate.

As our investigator said, if Mr M's funds had been used on 11 July to redeem part of his mortgage, they could not also have been invested during this time. And I note that Mr M didn't actually pay across the funds to redeem his mortgage until after this date. So I don't think Danske has to pay Mr M for lost investment income during part of this period.

Mr M says the payment of compensation which our investigator recommended, wasn't enough to cover his losses. He said this all took about six hours, and he's based his compensation request on his professional charge out rate. But I think there are some other factors to take account of here. I have to bear in mind that any loss of that amount of money is likely to be a loss to Mr M's business, rather than to him personally, and this complaint is brought by Mr M personally. I also need to bear in mind that arranging a remortgage and lump sum overpayment will always take some time, even if mistakes aren't made. And of course I need to bear in mind our service's role, which isn't to punish businesses, as well as our overall approach to compensation.

Bearing all of those factors in mind, I do think that a total compensation payment of £200 provides a fair and reasonable outcome to this complaint. I know that Mr M will be disappointed, but don't think that Danske has to do more than that.

I understand Danske has already made some payments to Mr M for this complaint, so I'll allow Danske to count towards my award, the payments it has already made in this case. And as Danske has already refunded some of Mr M's overcharged interest to Mr M's mortgage service account, I'll require it to do the same with the rest, and leave it to Mr M to decide how this money is used.

### **My final decision**

My final decision is that Northern Bank Limited trading as Danske Bank must do the following

-rework Mr M's mortgage so that the overpayment credited to his mortgage on 25 August 2022 was credited on 11 July 2022 , and the new interest rate, applied on 25 August 2022, was applied on 11 July 2022.

- after the reworking of the mortgage as above, refund to Mr M's mortgage servicing account any additional money he paid as part of his contractual monthly payments, between 11 July 2022 and 25 August 2022, plus 8% simple interest, calculated on the full amount refunded (including sums already paid) from the dates of each overpayment to the dates of each refund.

- pay Mr M a total of £200 in compensation.

Northern Bank Limited trading as Danske Bank may count towards the above amounts any payments it has already made to Mr M for this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 27 July 2023.

Esther Absalom-Gough  
**Ombudsman**