

The complaint

Mr and Mrs F complain that the overpayment arrangement they set up for their mortgage with TSB Bank plc trading as Whistletree has slowly been eroded by interest rate rises. They said they didn't realise this until about a year later, and hadn't got any letters about it.

What happened

Mr F said that he and Mrs F arranged to start overpaying on their mortgage in early 2022. They added £100 on top of their contractual monthly payment (CMP). But they said that in February 2023, they realised that interest rate rises since then had been eating into this overpayment. So they were overpaying by considerably less than they thought.

Mr F said that he and Mrs F never got any letters about interest rate rises.

Whistletree said it thought it had made a mistake when it set up this overpayment for Mr and Mrs F. It said they should have been told, on that call, that there were two options for an overpayment. They had a choice of whether to fix the total amount of the monthly payment (so future interest rate rises wouldn't change the monthly payment, unless it was no longer enough to cover the CMP due). Or they could choose an additional payment amount to add onto their CMP each month. In that case, if the CMP went up, their monthly payment would also go up, and they would still be overpaying by £100 each month.

Whistletree said it just hadn't explained all of this to Mr and Mrs F. instead, it had simply assigned them to a fixed total amount of monthly payment. That meant, when interest rates started to rise, their monthly payment stayed the same and their overpayment got smaller.

Whistletree said it did write to Mr and Mrs F every time interest rates went up. And, eventually, at the end of November 2022 the overpayment wasn't enough to cover one part of their mortgage. So it wrote about this too. And in December 2022 it wrote again about the overpayment on the other part of their mortgage.

Mr and Mrs F complained at the start of February 2023.

Whistletree said it understood that Mr and Mrs F hadn't received all the correspondence it had sent recently, including the letters telling them about interest rate rises, their annual statements, and the letters telling them their overpayment arrangement had been cancelled because they now needed to pay more each month than the amount of the arrangement. But Whistletree said it did hold the right address for them, and no correspondence was returned. Whistletree said it wouldn't be its fault if the letters it had sent hadn't reached Mr and Mrs F.

Whistletree said it would like to offer Mr and Mrs F £100 to make up for what had gone wrong. But Mr and Mrs F didn't want to accept that, and they asked us to look into things.

Our investigator didn't think this complaint should be upheld. He said that Whistletree had accepted it had made a mistake on a call with them in February 2022. But then quite a

number of letters didn't reach Mr and Mrs F. And our investigator did think these had been sent, so he thought it wasn't Whistletree's fault if those hadn't reached Mr and Mrs F.

Our investigator said he understood Mr and Mrs F were disappointed that their mortgage wasn't in the position they thought it was in, but he said the account reflected the payments made, and the CMP was still being covered. He thought £100 in compensation for what had gone wrong here was fair.

Mr F replied to say he wasn't happy, the amount outstanding on their mortgage was more than it should be. But our investigator didn't change his mind, he said Mrs and Mrs F had had the benefit of the money which wasn't used to pay an increased mortgage payment each month. Mr F continued to disagree, and said that with the volume of missing letters, the problem had to be at Whistletree. Mr F said he still wasn't getting mail from Whistletree.

Mr F also said he'd refused the £100 in compensation that Whistletree had offered. He said if it had done nothing wrong, it wouldn't have offered any money. Because no agreement was reached, this case then 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.

Whistletree accepted it made a mistake in February 2022, when it set up this overpayment for Mr and Mrs F. It put a set monthly payment in place, instead of the set overpayment amount (CMP plus £100) that they wanted. I do think that was a mistake, as Whistletree accepts, and I think that means Whistletree should pay some compensation in this case. Whistletree has offered £100, and I think that provides a fair outcome to this part of Mr and Mrs F's complaint.

But, importantly, I don't think this initial mistake by Whistletree, is why Mr and Mrs F's mortgage account didn't get the overpayments they wanted, for around a year. I think that happened because when interest rates rose, and Whistletree wrote to Mr and Mrs F about this, they told us they didn't get those letters.

I don't know why Mr and Mrs F apparently stopped receiving letters from Whistletree, at around the time that interest rates started to rise. But I've seen the letters that Whistletree has told us it sent to Mr and Mrs F. These are correctly addressed (aside from a very minor error which I'm satisfied isn't likely to have caused a problem) and I don't think it would be Whistletree's fault if these letters weren't delivered safely and read by Mr and Mrs F. I don't think it would be fair and reasonable for me to ask Whistletree to pay more compensation in this case, because of that.

I also note that Mr and Mrs F were on a variable rate, and the interest rate rises which took place throughout 2022 received a considerable amount of attention in the news that year. So this problem might also have been avoided if Mr and Mrs F had questioned why their monthly payment was staying the same throughout this time.

Finally, I do also have to bear in mind here that, as our investigator said, Mr and Mrs F did have the benefit of the funds that weren't used to make increased mortgage payments.

For the above reasons, I don't think it would be fair and reasonable to ask Whistletree to pay more than it has already offered in this case. It doesn't look as if Mr and Mrs F have

accepted the payment of £100 that Whistletree offered, so my award requires Whistletree to make that payment now, if it hasn't already done so.

My final decision

My final decision is that TSB Bank plc trading as Whistletree must pay Mr and Mrs F the amount of £100 that it previously offered, if it hasn't already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F and Mrs F to accept or reject my decision before 11 March 2024.

Esther Absalom-Gough

Ombudsman