

## **The complaint**

Miss C and Mr C complain that Clydesdale Bank Plc trading as Virgin Money won't honour a mortgage offer it issued when they thought they'd ported their existing mortgage to a new home.

## **What happened**

Miss C and Mr C have a mortgage with Virgin Money. In 2016, they took a 1.79% interest rate fixed until 1 January 2023 (offer 1).

In 2021, Miss C and Mr C ported their mortgage to a new property. But Virgin Money issued an entirely new offer with an interest rate of 1.68% fixed until 1 August 2026 (offer 2).

In July 2021, Virgin Money wrote to Miss C and Mr C. It said it had made a mistake and it was amending the mortgage to offer 1. Miss C and Mr C said they didn't get this letter.

In 2022, Miss C and Mr C wanted to port their mortgage again. But their broker noticed that rather than porting offer 2 as they were expecting, offer 1 was in place.

Miss C and Mr C complain that they believed that they had offer 2 in place. They want Virgin Money to honour offer 2. But if not, they point out that if they knew their interest product was due to end in December 2022, their broker would have been in touch with them six months in advance of that and would have arranged a new interest rate product at that time. So they've been disadvantaged by taking a higher interest rate than they otherwise would have done.

Virgin Money said that it would not honour offer 2. It adjusted the account so it was in the same position it would have been in had offer 1 been in place.

The investigator said they thought that Virgin Money was right to correct its mistake. They said Virgin Money should pay Miss C and Mr C a further £150 for any upset and inconvenience.

Virgin Money accepted what the investigator said. Miss C and Mr C did not. They said if the correct mortgage was in place, they could have secured a new interest rate product in July 2022. If they had done so they would have got a cheaper interest rate. Miss C and Mr C also said that Virgin Money ought to have sent the July 2021 letter by recorded delivery.

## **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.

In 2021, Miss C and Mr C applied to port offer 1. It's clear that Virgin Money made a mistake by issuing offer 2. But the interest rate and the term of the fixed rate on offer 2 were both different from what Miss C and Mr C and their broker were expecting.

This was a significant financial commitment for Miss C and Mr C and there was a reasonable

expectation that they would read the paperwork, including the offer. Their broker also had an obligation to read the offer. I consider it ought to have been clear that there had been a mistake. I accept that was primarily Virgin Money's fault. But I find it difficult to say that – acting reasonably – neither Miss C and Mr C or their broker knew that there had been a mistake.

Virgin Money said it sent a letter to Miss C and Mr C in July 2021. The letter is correctly addressed and I have no reason to believe it wasn't sent. So I consider that Virgin Money took reasonable steps to tell Miss C and Mr C when it had identified the error.

I also don't consider it would be fair to tell Virgin Money to honour offer 2. I say that because where a business has made a mistake, we usually tell it to put the affected party back in the position they would have been in had the mistake not occurred. So I think it is fair for Virgin Money not to honour offer 2. That was something that was only available to Miss C and Mr C if they paid an early repayment charge (ERC) for repaying offer 1 early.

Miss C and Mr C's broker had recommended that they port their existing rate, presumably because they wanted to avoid the significant ERC. I don't think it was ever their intention to incur an ERC – they wanted to port offer 1. I consider it is fair and reasonable for Virgin Money to adjust Miss C and Mr C's mortgage as if offer 1 was in place until January 2023. They have not lost out because of that – that is what all parties wanted when the mortgage was ported in 2021. While I recognise that Miss C and Mr C might not see it like that, it puts them in the correct position.

I note Miss C and Mr C's point that they would have secured a new rate earlier had they known the correct position. But I've already found that both they and their broker ought reasonably to have known that offer 2 was a mistake when the mortgage was ported in 2021. Therefore, I don't consider it would be fair for me to say that Virgin Money should offer Miss C and Mr C an interest rate product that was available at an earlier point.

Virgin Money has agreed with the investigator's recommendation to pay Miss C and Mr C £150 for any distress and inconvenience. I think this is fair and recognises that Virgin Money identified the mistake at an early stage and that it was not entirely responsible for the mistake (or the steps it took to put that right) going unnoticed.

### **My final decision**

My final decision is that Clydesdale Bank Plc trading as Virgin Money should pay Miss C and Mrs C £150.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C and Mr C to accept or reject my decision before 3 November 2023.

Ken Rose

**Ombudsman**