

The complaint

Mr and Mrs S complain that Bank of Scotland plc trading as Halifax wouldn't let them take new interest rates on more than one part of their mortgage at a time.

What happened

Mr and Mrs S have a mortgage with Halifax. Their mortgage is made up of three separate sub-accounts, all on separate interest rates:

- Sub-account one – fixed rate expiring 31 July 2023
- Sub-account two – fixed rate expiring 30 April 2023
- Sub-account three – fixed rate expiring 30 November 2023.

In March 2023 Mr and Mrs S asked for new interest rates on sub-accounts one and two. Halifax offered a fixed rate of 4.48% on sub-account two, which expired first. But it said that its systems wouldn't allow more than one rate application to be in progress at a time. So Mr and Mrs S wouldn't be able to arrange a new rate on sub-account one until 1 May, when the first application would end with the implementation of a new rate.

By May 2023, interest rates had increased. Mr and Mrs S applied for a fixed rate of 4.70% on sub-account one.

In July 2023 Mr and Mrs S tried to apply for a new rate on sub-account three. But they encountered the same problem – they weren't able to apply for a new rate on sub-account three until the rate on sub-account one had been implemented. By the time they were able to apply for a rate in August, the best rate available to them was 6.55%.

Mr and Mrs S complained. They said it wasn't fair that they couldn't arrange new rates on other sub-accounts while an application was still live. That meant they'd lost out on favourable rates they could have obtained if they'd been able to book sooner.

Halifax explained that its systems were limited to only allow one application to be open at a time. Mr and Mrs S could apply for rates on multiple sub-accounts at the same time as part of one application. But they couldn't have more than one separate application open at a time. It didn't initially uphold their complaint.

But when Mr and Mrs S referred their complaint to us, Halifax said it was now changing its systems, and offering redress to customers who had been affected by this issue. It offered to resolve matters for Mr and Mrs S by:

- Sub-account one – offering the same rate of 4.48% that Mr and Mrs S had been able to obtain on sub-account two, backdated to 1 August 2023. That rate would then have the same end-date as sub-account two, with both ending on 31 July 2025. Halifax would also refund additional interest Mr and Mrs S paid in the meantime.

- Sub-account two – retaining the 4.48% Mr and Mrs S had been able to secure in March 2023, running to 31 July 2025.
- Sub-account three – applying a rate of 4.75% from 1 December 2023, expiring 31 October 2025. Halifax said it had selected that rate because it said that it allows rates to be booked six months in advance, and this was the best rate available on 1 June 2023 – so the best rate Mr and Mrs S would have been able to obtain on this part of their mortgage if they hadn't had an outstanding application on sub-account one.
- Paying £100 compensation for their distress and inconvenience.

Our investigator thought that was a fair offer in respect of the interest rates. But she said that the compensation ought to be increased to £300 to fairly reflect the impact on Mr and Mrs S. Neither party accepted that – Mr and Mrs S didn't think £300 was enough, and Halifax didn't think more than the £100 it had offered was fair. So the complaint comes to me for a final decision to be made.

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.

Mr and Mrs S have accepted that Halifax's offer to implement the best interest rates that would have been available had they not had other applications outstanding is fair. I agree. I'm satisfied that puts them back in the position they would have been in had Halifax's systems not prevented more than one application being made at a time.

However, the appropriate amount of compensation is still in issue. Halifax offered £100, our investigator thought £300 was fair, but Mr and Mrs S say it should be at least £500.

I've carefully considered everything that's been said. Having done so, I agree with the investigator that £300 is fair compensation in this case.

There's no doubt that not being able to secure rates on two of the sub-accounts had an impact on Mr and Mrs S. They were worried about rising interest rates, and they were worried about whether, by the time they could secure rates, they would be affordable. And, while their initial applications were made online, they then spent a considerable amount of time dealing with Halifax to progress their complaint. And they've had to pay more in interest than they otherwise would have done pending the re-working of their mortgage account – though there's no evidence that the payments did end up being unaffordable or have caused them substantial financial difficulty; indeed, they still made a voluntary overpayment.

I've taken into account the guidance on compensation to be found on our website.¹ The guidance says that an award of up to £300 might be fair where an error has caused more than usual levels of frustration and annoyance, with an impact that is more than minimal, typically lasts days or weeks, and causes some distress and inconvenience.

The band above that is from above £300 to £750. The guidance says an award at this level is appropriate where a mistake has caused considerable distress and / or significant inconvenience and takes a lot of effort to sort out, with an impact that typically lasts weeks or months.

¹ <https://www.financial-ombudsman.org.uk/businesses/resolving-complaint/understanding-compensation/compensation-for-distress-or-inconvenience>

Having taken the guidance into account, I think £300 is a fair award. The impact on Mr and Mrs S was not trivial. The events which led up to this complaint occurred over several weeks between May and August 2023. It caused significant frustration and worry, and took time to resolve. I think an award on the boundary between the two bands is fair in all the circumstances.

My final decision

My final decision is that I uphold this complaint and direct Bank of Scotland plc trading as Halifax to:

- Apply the 4.48% fixed rate to sub-account one, backdated to 1 August 2023, and the 4.75% fixed rate to sub-account three, backdated to 1 December 2023.
- Re-work Mr and Mrs S's mortgage taking into account the revised interest rates and the manual overpayment I understand Mr and Mrs S made.
- Give Mr and Mrs S the option of either:
 - Having the additional interest they paid used to reduce their mortgage balance as at the dates it was paid, further reducing subsequent interest charged because the balance is smaller; or
 - Having the additional interest they paid refunded to them. If Mr and Mrs S select this option, Halifax should add simple annual interest of 8% running from the date of each overpayment to the date of refund. Halifax may deduct income tax from the 8% interest element of my award, as required by HMRC, but should tell Mr and Mrs S what it has deducted so they can reclaim the tax if they're entitled to do so.
- Pay Mr and Mrs S £300 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S and Mr S to accept or reject my decision before 18 April 2024.

Simon Pugh
Ombudsman