

The complaint

Mr and Mrs M complain that poor service from Bank of Scotland plc (trading as Halifax) meant they missed out on lower interest rate products for their residential and buy to let (BTL) mortgages. They'd like Halifax to apply the interest rate products available in August 2022 to their mortgages or pay compensation.

What happened

Mr and Mrs M contacted Halifax to discuss product switches. The interest rate products on their two BTL mortgages were due to expire on 31 October 2022. Part of their residential mortgage was on a fixed rate that was due to expire in October 2023, and the remainder was on a tracker rate.

Mr and Mrs M complain that:

- Halifax didn't send reminder letters for the BTL mortgages early enough
- It failed to respond when they contacted it or call them when promised
- Incorrectly told them they could accept a new product for the BTL mortgages online
- Limitations with Halifax's systems meant they couldn't switch products for all of their mortgages at the same time. They had to wait for the first switch to take effect before applying for the next product switch.

Mr and Mrs M say interest rates increased during the delays. They'd like Halifax to apply rates they say were available in August 2022.

Halifax said Mr and Mrs M first contacted it in October 2022. It said they didn't mention any contact in August 2022 when they raised a complaint. Halifax agreed with Mr and Mrs M's complaint about its service in late 2022 and offered £200 compensation. Halifax said its product rates fell during the delays it caused, and so Mr and Mrs M weren't worse off.

Our investigator said Halifax sent information about when the interest rate products for the mortgages were due to expire. He said when Mr and Mrs M spoke to Halifax in October 2022 they didn't take out new fixed rate products as they said they wanted to wait and see what happened with interest rates. Our investigator said that while Halifax caused some delays in November 2022 interest rates fell and so they weren't worse off. However, our investigator said it was unfair that limitations with Halifax's systems meant Mr and Mrs M couldn't take out fixed rates for all three mortgages when they called in December 2022. He said Halifax should apply and back date product rates as if they'd been able to do so. He said the £200 offered by Halifax for the upset caused by its poor service was fair.

Halifax agreed. Mr and Mrs M didn't agree and asked that an ombudsman re-consider 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.

Halifax said it provided mortgage illustrations, mortgage offers and annual statements that set out when the fixed rate products would expire. It wrote to Mr and Mrs M on 1 October 2022 to say the fixed rate was due to end for the BTL mortgages.

Halifax didn't send a reminder for the residential mortgage as the fixed rate product wasn't due to end until October 2023. It did send a letter setting out the new monthly payment for November 2022, which changed due to an interest rate increase for the part of the mortgage on a tracker rate.

Mr and Mrs M say they'd have taken out new products in August or September 2022 if Halifax had send an earlier reminder about their fixed rate products ending. This isn't something Halifax is required to do for BTL mortgages. I need to bear in mind that letting property is a business, and arranging finance is part of managing the business. I think Halifax provided enough information to make Mr and Mrs M aware of when the fixed interest rates for the BTL mortgages would end. It follows that I don't think it's fair and reasonable to require Halifax to offer Mr and Mrs M a rate available in August or September 2022.

Mr M spoke to Halifax in mid-October 2022. The fixed interest rates available for the residential mortgage were higher than the tracker rate they were paying at that time. Mr and Mrs M didn't take out new fixed rates for the residential mortgage or the BTL mortgages. Mr M said they wanted to wait and see what happened with interest rates. Halifax made Mr M aware that the rates it quoted were only valid on that day. And it told Mr M it could only process one product application at a time.

It was Mr and Mrs M choice not to take out fixed rates in October 2022. They were aware their two BTL mortgages would be on the standard variable rate from 1 November 2022 and that there was a risk that rates might change. I don't think it's fair and reasonable to require Halifax to pay compensation for the mortgages being on the standard variable rate or to require it to offer Mr and Mrs M a rate available in or prior to October 2022.

Mr and Mrs M emailed Halifax's mortgage adviser on 3 November 2022. There was delay in Halifax responding. On 7 November 2022 the mortgage adviser emailed Mr M with the available rates, which had increased since October 2022. Mr and Mrs M say they were unable to get in contact with Halifax. Halifax says it offered appointments by email and Mr and Mrs M didn't reply. Either way, they didn't take out new fixed rate products in November 2022.

Halifax said its product rates had increased before Mr and Mrs M tried to contact it on 3 November 2022. It says its product rates had fallen by mid-December 2022, when Mr and Mrs M told Halifax they wanted to take out new products. So I don't think any delay in November 2022 meant Mr and Mrs M missed out on a lower interest rate product.

In mid-December 2022 Mr and Mrs M called Halifax and said they wanted to take out fixed rate products for all three mortgages. They were told (incorrectly) they could accept a fixed rate product for the BTL mortgages online. When they tried to do so, they found this wasn't possible.

Mr and Mrs M were also told Halifax could only process one application for a new product at a time. They could take out a new product for one mortgage, but had to wait until it took effect before they could apply for the next. This was due to limitations with Halifax's systems.

Mr and Mrs M were in an usual position in that they wanted to take out new products for three mortgages. The mortgage adviser told Mr M during the call in October 2022 that the interest rate products had to be taken out one at a time – in fact she said this several times. Nonetheless, once Mr and Mrs M decided to take out new products, it was inconvenient that they could only apply for one product at a time. Halifax's product rates increased between mid-December 2022 and them being able to take out the second and third products.

Putting things right

There was a delay in Halifax responding to Mr and Mrs M in November 2022. It gave them incorrect information that they could take out a new product online. And due to limitations with its systems they could only make one product application at a time.

Halifax agreed to apply the interest rate products Mr and Mrs M would (but for Halifax's system limitations) have taken out on 19 December 2022 to all of their mortgages. That was a five-year fixed rate of 4.45% for their residential mortgage (to replace the tracker product) and a two-year fixed rate of 4.93% for the BTL mortgages. Halifax agreed to backdate the rates to the date they would have taken effect had they been applied for and accepted in December 2022. Any overpayments should be refunded to Mr and Mrs M with 8% simple interest from the date of payment to the date the refund is paid. Mr and Mrs M provided account details to our investigator and, if they accept my decision, these can be forwarded to Halifax.

If Halifax considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr and Mrs M how much it's taken off. It should also give them a tax deduction certificate if they ask for one.

Halifax offered to pay £200 for Mr and Mrs M's upset and inconvenience. I think that's fair and reasonable in the circumstances.

My final decision

My decision is that I uphold this complaint and require Bank of Scotland plc (trading as Halifax) to take the steps and make the payments set out above (to the extent it hasn't already done so).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M and Mrs M to accept or reject my decision before 19 March 2024.

Ruth Stevenson
Ombudsman