

The complaint

Mr R and Ms M's complaint about Scottish Widows Bank Plc (SW) relates to the closure of their Offset Saver Account (OSA) when they purchased a new property. They were told that the OSA would be moved over and linked to their new mortgage when their old mortgage was redeemed, but in fact it was not. They feel that they have lost out financially and would like interest to be credited correctly.

What happened

Mr R and Ms M had an offset mortgage on their former home. When they decided to purchase another home, SW told them that their existing OSA could be linked to the new mortgage they were going to take out. However, when they redeemed their old mortgage, their OSA was closed and the funds in that account, which were not insignificant, were credited to their personal account. Although SW corrected the mistake by putting the funds into Mr R and Ms M's new OSA, that took 13 days, and Mr R and Ms M say this caused them to lose money.

Initially SW didn't think it had done anything wrong, but then changed their view and accepted Mr R and Ms M, during a telephone call on 11 November 2022, had been given incorrect information about when the new OSA would be in place.

To ensure that Mr R and Ms M didn't lose out in any offsetting benefit, SW backdated the benefit from the date the funds actually reached Mr R and Ms M's new OSA, to the date the mortgage account was opened. This was the period 24 November 2022 to 7 December 2022 and SW say this has put Mr R and Ms M back into the position they would have been in. In recognition of their error, SW also paid £100 compensation directly into their bank account on 30 June 2023.

Mr R and Ms M were unhappy with SW's final response because SW didn't apply the offset benefit for the first two months of their mortgage and so approached this service to see if we could assist in resolving the dispute. Our investigator thought that although there had been poor service, the amount of compensation SW paid was enough to put things right.

Mr R and Ms M didn't agree and asked for the complaint to be passed to an Ombudsman 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 know the parties provided a lot more detail than my summary, but I shall focus on what I see as the key issues. Our rules allow me to do this, and it reflects the informal nature of our service as an alternative to that of taking action through the Court. If I've not mentioned

something then this isn't because I've ignored it, rather it's because I don't need to comment on every individual argument to be able to reach what I think is the right outcome.

Naturally, I have considered the views of both Mr R and Ms M, and SW, and all the available evidence. The accepted facts are that Mr R and Ms M were given incorrect advice about their original OSA. SW accept that. Their original OSA was automatically closed, and the funds were paid into their personal account, that being their nominated account. This was in line with the terms and conditions of their mortgage but of course contrary to the oral advice given to them on 11 November. The funds were paid 13 days later into Mr R and Ms M's new OSA, which puts them in the position they were told they would be in.

However, the issue has now become why Mr R and Ms M did not receive any offset benefit for the first two months of their new mortgage. The answer to that can be found in SW's 'Guide to Offsetting' under paragraph 27. – 'How your offset benefit works'.

At paragraph 27.4 it states, *'Regardless of when your new mortgage completes, the offsetting benefit will not be applied to your first payment'*.

And at 27.5 it states, *'We collect your mortgage payment one month in arrears. So, it's important to remember that following your first payment, the savings balance in one month will reduce the mortgage payment you make two calendar months later. For example, offset benefit earned in April would reduce your May payment, which would be collected on 1st June'*.

Further, in SW's document 'Offsetting' under the section marked Frequently Asked Questions, there is a question: When will my first mortgage payment be taken? The answer is stated as, *'We'll collect your first monthly mortgage payment on the first day of the month following the first full month after completion. For example, if your mortgage completes on 15th January your first mortgage payment will be on 1st March. If your mortgage completes on 1st March then your first mortgage payment will be on 1st April. Your offset benefit will not take effect until the month after your first payment so your first payment will always be a full payment'*.

The last sentence clearly explains when the offset benefit will be applied.

The documents I refer to were provided to Mr R and Ms M, and SW state that this is also something Mr R would have been aware of in his capacity as a financial adviser since it was he who introduced and placed the application for the offset mortgage to SW. So I'm not persuaded that Mr R and Ms M weren't aware of when the offset benefit would commence. I understand that they were told something differently but I'm not persuaded that had they been given the correct oral advice, they would not have gone ahead with their transaction.

I know Mr R and Ms M have complained that SW didn't respond to their complaint within eight weeks, but I can see that in fact they provided their final response letter on 6 February, and that was within the timeframe since their complaint was made on 4 January. I acknowledge that SW later reviewed their decision, but it remains that the complaint was answered in eight weeks and Mr R and Ms M were given their ombudsman referral rights at that time. So, I don't agree that SW refused to respond to Mr R and Ms M's complaint.

SW has accepted that it didn't get things right and because of that it compensated Mr R and Ms M with £100, with which our investigator agreed. The question therefore becomes whether that level of compensation adequately compensated Mr R and Ms M for the distress and inconvenience they experienced as a result of that error.

When I consider the issue of compensation, I start from the point that any award for the trouble and upset caused should be balanced against the ups and downs of everyday life which we all face when dealing with other people, businesses, and organisations, and recognising that at times this can be inconvenient.

It is also important to remember that there is no set figure for compensatory awards, since the facts of each case are different. It is an exercise of judgement, looking at all the circumstances and coming to a figure which feels fair, when set against the effect of any failures in service on the person bringing the complaint.

When we make awards of compensation we categorise them and examples of these can be found on our website.

In this complaint Mr R and Ms M were placed back into the position they would have been in 13 days. I have not agreed with them that they have lost out financially because when they took out their new mortgage they were never going to get the offset benefits immediately anyway. And as I've found it more likely than not that if they had been given the correct verbal advice, they would have gone ahead with the transaction, they would have been in this position anyway.

The £100 compensation, in my view, adequately compensates them for being given a false expectation, and relates to the poor service of their receiving wrong information, not any direct financial loss.

My final decision

Scottish Widows Bank Plc has already paid £100 to settle the complaint and I think this offer is fair in all the circumstances.

So my decision is that Scottish Widows Bank Plc doesn't need to do anything more.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M and Mr R to accept or reject my decision before 1 April 2024.

Jonathan Willis
Ombudsman