

The complaint

Mrs G's complaint about Bank of Scotland plc trading as Halifax (Halifax) relates to the way in which Halifax dealt with her mortgage account when it was in credit and payments from the Dept. for Work and Pensions (DWP) ceased.

What happened

Mrs G had an interest only mortgage and for a long time the interest was paid by DWP. On 29 March 2018 DWP told Halifax it would no longer be making deductions from Mrs G's Pension Credit entitlement and paying them to the Halifax to apply to her mortgage account. DWP also confirmed it told Mrs G this, and the last payment it would make would be 8 April 2018. They also told her that she *'must get in touch with [Halifax] to arrange how [she was] going to pay the interest [herself]*.

During the period when the DWP had been making payments, it had, over time, led to Mrs G's mortgage account becoming £5,971.62 in credit. When the DWP stopped making the payments, Halifax used the credit to cover the contractual monthly payments (CMP), but it didn't notify Mrs G that it was doing so.

Mrs G feels she has been charged interest which would not have accrued had the credit been used to reduce her capital. She also feels that Halifax should have contacted her to advise that she needed to set up a direct debit for the CMP after DWP stopped making the payments.

Halifax have said that when a customer's mortgage account is in credit, and when there is no CMP received, the credit is used to cover the CMP. It accepts that it never wrote to Mrs G advising her that DWP were going to stop making the payments but said it would have done so had the account not been in credit, and then it would have advised her she needed to set up a direct debit.

Halifax said that after this change by DWP in 2018 there were no other payments made to Mrs G's account until it received a payment of £9,000 on 3 August 2022. Mrs G also thought that this payment had been used to cover the CMP, but Halifax have explained that it was applied to her mortgage account to reduce the balance and interest.

Mrs G was unhappy with Halifax's final response and so approached this service to see if we could assist in resolving the dispute. Our investigator thought that Halifax hadn't done anything wrong and had dealt with the complaint fairly. Mrs G 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 have provided a lot more detail than set out in my summary, but I have focussed on what I see as the key issues, because it reflects the nature of our service. We are an informal dispute resolution service and an alternative to taking Court action. So, if I've not mentioned something then this isn't because I've ignored it, it's simply 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 Mrs G and Halifax and all the available evidence.

Mrs G's mortgage statements show that from 2015 the monthly interest payments were paid by DWP. When things changed in 2018, DWP told Mrs G, by letter, that she needed to get in touch with Halifax to make a new arrangement as the payments from her Pension Credit were going to stop.

It follows from this that it is reasonable to have expected Mrs G to have then contacted Halifax. I think it is also reasonable to have expected Mrs G to have noticed that her Pension Credit had changed because the deductions had stopped. This ought to have alerted Mrs G that payments were not being made to Halifax by DWP. In addition, Mrs G received annual statements which show the CMP was no longer being paid by DWP, which also ought to have alerted her.

Mrs G feels that Halifax ought to have contacted her to advise her of this, but I don't think that was reasonably necessary because DWP had told Mrs G in very clear terms. I appreciate that Mrs G doesn't think it was DWP's responsibility, but irrespective of who the responsibility falls to, Mrs G was as a fact told, and therefore knew that she needed to get in touch with Halifax. So, I can't say Halifax have done anything wrong in this respect.

Because Mrs G didn't contact Halifax, and because it was no longer receiving payment of the CMP, then it used the credit on Mrs G's account in place of the CMP. Mrs G feels that this credit ought to have been used to pay down the capital balance which in turn would have reduced the interest. But Halifax have said it had already done that each time it received the payments from DWP.

Halifax explained that when DWP made the payments to Halifax the amount they were paying was more than the CMP and that extra amount was deemed an overpayment. I asked Halifax to clarify this for me and they provided detail from their policy on overpayments, explaining that when an overpayment is received it reduces the balance and the interest charged at that point. What it doesn't do is change the amount that Mrs G was contractually obliged to pay each month - the CMP.

So, every time DWP made a payment more than the CMP, it put Mrs G's account further in credit. Another way of looking at this is that it put the account ahead of the position it would have been in had the overpayment not been made. So, when the DWP stopped making the payments and Mrs G didn't make any monthly payments herself, Halifax used the credit that had arisen to satisfy what ought to have been paid for that month. Mrs G hasn't therefore lost out because her balance had already reduced, and she had already paid less interest.

With regard to the payment of £9,000 on 8 August 2022, I have seen that the mortgage balance reduced from £18,341.77 to £9,328.21. Halifax have confirmed that the account balance reduced with that £9,000 payment and the interest was also recalculated on the lower balance. That is what I would have expected to see, and it is fair. Mrs G hasn't lost out financially here either.

So, I can't say Halifax has acted unfairly or unreasonably here and I'm not upholding this complaint.

My final decision

For the reasons set out above I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 27 June 2024.

Jonathan Willis
Ombudsman