

## The complaint

Mrs H's complaint is about a buy-to-let mortgage she had with Clydesdale Bank Plc trading as Virgin Money. She says she was given an incorrect amount when she asked for a redemption figure in early 2023. This meant that she sold the property for less than the amount she needed to repay the mortgage and had to borrow from a relative to clear the shortfall in what she owed.

Mrs H is also unhappy that Clydesdale didn't tell her about the interest rate rises that affected the mortgage from December 2021, which meant she was not paying enough and the amount she owed increased. In addition, Mrs H said that she was unhappy that Clydesdale didn't offer her a new mortgage when she asked after the term ended and then put her under pressure to pay off the outstanding balance. She also raised concerns that Clydesdale had not offered her a short-term interest rate product for the period after the term ended and the sale completed.

## What happened

Mrs H took out a buy-to-let (BTL) mortgage with Clydesdale in 2006 on an interest-only basis. The term ended on 24 May 2020, but Mrs H didn't repay the capital balance. Once the term ended, the mortgage changed to a reversionary interest rate, which was variable. No new interest rate product could have been attached to the mortgage as there wasn't a live mortgage to attach one to. Clydesdale gave Mrs H some additional time to make arrangements to repay the mortgage – around a year – before it started to pursue her to do so. Mrs H already had the property on the market to sell by that point.

In April 2023, Mrs H called Clydesdale, as she'd received an offer for the property and wanted to know how much she owed on the mortgage. Mrs H was given a figure for the mortgage balance of just under £43,000 and was transferred to another team to be given a redemption figure. The redemption figure she was given was just under £47,000.

The reason for the difference in the figures was because since the end of the mortgage term Clydesdale had been holding the interest that had accrued as a separate balance, so that Mrs H didn't pay interest on the interest. The interest balance had accumulated because Mrs H hadn't increased her monthly payments in line with increases in the interest rate, so not all of the interest was covered, and a balance built up. Mrs H questioned the difference between the two figures and was told that it was the interest balance.

When Mrs H's solicitors requested a redemption statement on 24 April 2023, it was given a figure of just under £47,000. The mortgage was repaid shortly thereafter.

Mrs H complained in May 2023 and said that had she known the correct redemption amount, she wouldn't have accepted the offer she did.

Clydesdale responded to the complaint in a letter of 29 June 2023. It confirmed that the change of interest rate letters for 24 November and 24 December 2022, and 24 February and 24 March 2023 had not been sent to Mrs H due to a procedural error. This meant Mrs H hadn't known to pay the right amount of interest from 24 November 2022 until 24 June 2023

when it sent her the next interest rate change notification. As such, Clydesdale offered to adjust the balance of the mortgage to that which it would have been had the interest not changed between those dates. It calculated the amount as just over £400, which it applied to the mortgage balance to reduce it.

In relation to the matter of Mrs H being told an incorrect figure, Clydesdale told Mrs H that the only way for her to receive an accurate redemption figure was to request a redemption statement. Mrs H hadn't done that, and Clydesdale said it makes it clear that verbal figures are not guaranteed until checked and issued in writing. As such, this aspect of the complaint was not upheld. As for Mrs H's request for a new mortgage when the term end was approaching, Clydesdale confirmed its decision was due to her existing mortgage commitments. It apologised for any upset this might have caused her, but it didn't consider it had done anything wrong.

Mrs H wasn't satisfied with Clydesdale's response and asked it to review its position. She said that while Clydesdale had admitted that no change of interest rate letters had been sent to her from November 2022, she hadn't received any such letters since interest rates had started to rise in December 2021. As such, she suggested she had been underpaying the mortgage since the end of 2021 and the redress offered should be calculated to cover the whole period since interest rates had started to rise. Mrs H asked for further compensation as she considered the error with the interest rates was the cause of the redemption figure being higher than the amount she was able to sell the property for.

Clydesdale was not willing to change its decision and so Mrs H referred her complaint to this Service.

One of our Investigators considered the complaint, but he didn't recommend that it be upheld. He was satisfied that Mrs H had been given a redemption figure for the correct amount on the only occasion she personally asked for one. In addition, the Investigator was satisfied that the offer made by Clydesdale in relation to it not having told Mrs H about some of the interest rate increases that applied to her mortgage, was appropriate in the circumstances. He was satisfied the earlier letters had been sent to her and the reason the payments to the mortgage had not been changed to reflect the rise in interest rates was because Mrs H had not changed it.

Mrs H didn't accept the Investigator's conclusions. She said that his response didn't mention Clydesdale not having told her that she wasn't paying enough or that her debt was increasing, which she thought it should have done. Mrs H repeated that the redemption figure she had been given was £42,000 and was wrong. She also clarified that she had been given this figure in January or February 2023, before she had decided to sell her property by auction.

We asked Clydesdale to search its records to see if it could locate any calls from Mrs H in January and February 2023. It did so and couldn't find any calls from her during that period from any of the numbers it had for her, or a further number Mrs H supplied. When Mrs H was told this, she said she would forward her telephone bill to evidence the call, but she didn't do so.

As agreement could not be reached, it was decided the complaint should be referred to an Ombudsman for review.

### **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.

Mrs H has said that her complaint hasn't been understood because the redemption amount she is referring to was given to her in January or February 2023, before she made the decision to sell her property at auction. When a call is received by Clydesdale it will be automatically recorded on its systems as incoming from the telephone number being used. Then, if a conversation is had with one of its call handlers that was about a specific mortgage and so required the call handler to access the account, a record of the account being accessed would exist and notes of the conversation would be made. I don't doubt Mrs H is giving us her genuine recollections, but neither the incoming call logs nor the account contact records record a call coming in from Mrs H in January or February 2023. While Mrs H said she would provide evidence of the call, she hasn't done so.

I also note that Mrs H has only referred to being given a redemption figure once. I have listened to the call recordings from 17 April 2023 and Mrs H was given both an account balance and a redemption figure for the mortgage in that call. I think it likely that the call of 17 April 2023 is the call Mrs H has recollected. There was a difference of just under £4,000 between the two figures, for which Mrs H received an explanation. The redemption figure given was around £100 lower than the figure Mrs H's solicitors were given later that month; the difference being the interest that accrued between 17 April and 28 April 2023.

Mrs H has said that she was unaware of how much she needed to repay the mortgage and, had she known the correct figure, she wouldn't have accepted the offer that had been made. However, I note that when Mrs H called on 17 April 2023 she told the first call handler that she'd had trouble selling the property and had received an offer for less than the amount she owed on the mortgage. I would also comment that, if the property was sold at auction, the vendor doesn't choose to accept an offer in the way they would if the property was sold through an estate agent. A reserve can be set, but as long as that figure is reached, how much a property is sold for is down to what the highest bid is on the day.

When investigating Mrs H's complaint, Clydesdale identified that it hadn't send her interest rate change notifications between November 2022 and June 2023. So the last interest rate it informed Mrs H about was 5.99% as of September 2022. In light of that, Clydesdale refunded all of the interest above the last rate it informed Mrs H about for the period it didn't communicate with her. That was entirely appropriate in the circumstances.

Mrs H has questioned that if she didn't receive the four letters Clydesdale has accepted she didn't get, what is to say that she received any others, as she has no recollection of receiving them. Mrs H has also said that she has received letters that have been incorrectly addressed and she has spoken to Clydesdale about this issue. I would firstly clarify that Clydesdale didn't send the relevant letters to Mrs H due to an error on its part, rather than the letters having been send and not received. In relation to the rate change letters sent to Mrs H, I have checked the address and it is the same address as she provided this Service with when she referred her complaint. As such it appears the letters were correctly addressed and, as with most letters sent through the postal system, it is likely they were correctly delivered.

Mrs H has questioned why she wasn't sent letters telling her she wasn't paying enough to cover the whole amount of the interest being charged and thinks that Clydesdale was remiss in not notifying her of this. When arrears letters are usually sent it is through an automated system, which is triggered by the amount being due under the mortgage contract not being received. In Mrs H's case that process wouldn't have happened as the mortgage contract had ended in 2020. Clydesdale was instead asking Mrs H to repay the whole amount owed, which would include any interest accruing, taking into account any payments Mrs H had decided to make.

Mrs H has also complained that Clydesdale wouldn't refinance the property after the term ended. Quite simply, it didn't have to. The fact that a customer has been granted borrowing in the past doesn't mean that they are entitled to further borrowing. Clydesdale explained to Mrs H why it couldn't consider an application from her – because her other borrowing meant that she was outside its lending criteria. A lender is entitled to set its lending criteria to reflect its appetite for risk and it is unfortunate for Mrs H that her financial situation didn't fit with Clydesdale's criteria. I can't find that it acted unreasonably when it told her that.

Overall, while I know this will disappoint Mrs H, I can't find that Clydesdale acted inappropriately or got anything wrong in relation to her wanting a new mortgage or the information it gave her about how much she needed to pay it to clear the mortgage. Furthermore, while Clydesdale did make a mistake in not sending Mrs H notification of a change of interest rate that affected the outstanding mortgage debt, it has already paid her appropriate redress.

### **My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mrs H to accept or reject my decision before 26 July 2024.

Derry Baxter

**Ombudsman**