

The complaint

Mr D and Mrs L complain about the service Yorkshire Building Society trading as Chelsea Building Society (CBS) provided when their fixed interest rate mortgage product was coming to an end.

What happened

Mr D and Mrs L have a mortgage with CBS that is secured over their residential property. In late November 2022 CBS wrote to them to let them know their fixed interest rate deal would be ending; that from March 2023 their new contractual monthly mortgage payments (CMP) under CBS's standard variable rate (SVR) would be around £280; and they could contact CBS to discuss their options for a new mortgage product.

Mr D and Mrs L interpreted the November 2022 letter as meaning the CMP on the SVR would be £280 more a month than they were currently paying. Bearing in mind the level of the CMP on that basis and their personal circumstances at the time, they thought moving to the SVR would suit them.

Towards the end of January 2023 CBS wrote to Mr D and Mrs L again to say they'd made a mistake about the CMP; they'd worked it out at the wrong interest rate; and the new CMP would be around £1,011.

Mr D and Mrs L complained. CBS apologised and offered Mr D and Mrs L a total of £200 compensation for the poor service they'd provided and the time it took for them to offer an apology. But Mr D and Mrs L weren't happy with the outcome. They said:

- They'd relied on the information in the first letter. It wasn't until two months later CBS had informed them of the correct figure. And they'd failed to offer them any practical help in finding an alternative product. CBS's delay had meant they weren't able to find a suitable alternative product from another lender in the time available before their current fixed rate ended.
- When they contacted CBS after getting the second letter, they spent a long time on the phone, had to wait for an appointment with a mortgage adviser and had to take time off work to attend the appointment.
- The most suitable product available at the time had a fee of around £1,495 which was unfair for the product in question and the fact they were long standing CBS customers. And they said it was much higher than the cost for new customers.

Since CBS didn't change their minds about the complaint, Mr D and Mrs L brought their concerns to the Financial Ombudsman Service. They raised a number of additional points while our investigator was looking into things. Our investigator didn't think CBS's mistake had led to financial loss. And she thought the compensation CBS had paid was fair in the circumstances. Since Mr D and Mrs L didn't agree, their complaint was passed to me to decide. I recently issued a provisional decision, an extract of which follows:

“What I've provisionally 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'm grateful to the parties for all the information they've provided and the points they've made. I may not mention everything they've said here. No discourtesy is intended by that. It simply reflects the informal nature of the service we provide. I'd reassure the parties that I've considered everything they've said and listened to calls Mrs L had with CBS. I'll focus on what I consider key to my decision. Although I've come to the same outcome as our investigator, my reasons are different in part. So, I'm issuing a provisional decision to give the parties the chance to comment further before I come to a final decision.

Under the rules set out in the Mortgages and Home Finance: Conduct of Business sourcebook laid down by the Financial Conduct Authority, a lender must give a customer reasonable notice of any changes to the payments the customer is required to make resulting from changes in interest rates. CBS gave Mr D and Mrs L three months' notice their fixed rate deal was coming to an end, but the information they provided about the SVR they'd move onto was wrong.

Mrs L said she and Mr D had questioned the figure in the November 2022 letter but assumed the figure mentioned would be payable on top of their existing CMP. That would have made their CMP around double what they were paying. It was roughly what they were expecting it to be. And since they thought they might want to sell and pay off the mortgage, or it was possible they might inherit some money that would help them pay it off, having the flexibility of being on the SVR was attractive to them, and they could review things if interest rates changed.

I think Mr D and Mrs L could have checked the letter with CBS given their doubt about what it meant. But I understand they weren't the only customers affected by a systems error which had caused the letter to contain the wrong information. And it's reasonable to expect CBS to have given Mr D and Mrs L accurate information in their correspondence. So, on balance, I think their conclusion about what the letter meant was reasonable.

In practice, Mr D and Mrs L had around a month to consider their position before their existing fixed rate deal came to an end, although they had to wait another week to discuss things with CBS. They could have looked into other possible lenders while they were waiting. But, given the circumstances, I don't think it's unreasonable they waited for a meeting with a CBS mortgage adviser. Mrs L was clearly upset when she spoke to CBS at the beginning of February. I can understand she wanted to speak to CBS before looking at other options then.

Mrs L told CBS she was angry and stressed. And she said she was concerned about finding a suitable deal before CBS increased their rates. I can understand she was disappointed CBS told her they didn't consider her situation urgent since she had time to fix the rate before the existing deal came to an end. But CBS arranged a meeting with a mortgage adviser on the first available date. And their rates hadn't changed by the time of the meeting. So, Mr D and Mrs L's options with CBS weren't substantively affected by having to wait.

The rates CBS could offer Mr D and Mrs L were the same in February as they had been in November. Mrs L's said if they'd known the true position sooner they would have sought a tracker or fixed rate product offering lower rates of interest without an early repayment charge, if possible. She told CBS she'd always had a fixed rate so as to have certainty for budgeting; she asked about tracker mortgages; and she made clear she understood how mortgage products worked and would be looking for the best deal. So, I accept she and Mr D would probably have looked at other lenders. Even so, I don't think it's fair to hold CBS responsible for any loss Mrs D and Mr L feel they may have incurred by missing out on that opportunity. I'll explain why.

Mr D and Mrs L were in touch with a broker at the end of February 2023. They understood from the broker that in November/December 2022 there would have been tracker/discounted products which CBS couldn't offer, several with shorter tie-in periods and with lower or no fees. But there's no firm evidence of the deals that might have been available to them. And, as Mrs L's acknowledged, given she's over state retirement age, it's possible their options were more limited than they might have been for other customers. Even if there had been products they could have applied for, they would have had to go through a full mortgage application. I can't be sure such an application would have succeeded or what deal they might have got. And, in the end Mr D and Mrs L have opted to stay on the SVR. Given everything, it's too speculative to say they've lost out because of CBS's mistake.

I note Mr D and Mrs L felt the fee CBS were charging for the product they were offering was too high and unreasonable for existing customers like them. It's not unusual for lenders to charge a product fee when offering fixed interest rates that are lower than their SVR. Lenders incur costs in borrowing on the money markets. In order to offer lower rates than their SVR over fixed periods to their existing customers, they sometimes charge a product fee to go towards meeting those costs. We don't generally consider that to be unfair. It allows customers to benefit from fixed rates over a specified period to help with budgeting and cost. And, as Mrs L appreciated when she was discussing things with CBS, there may be a benefit to paying a fee if the interest rate is lower and the overall cost of the deal is less. Customers can choose to revert to the SVR for more flexibility or move to alternative lenders who offer products without fees if they want to.

Mr D and Mrs L complained they couldn't access lower rates that were being offered to new customers. We generally consider it's fair for lenders to offer new customers more favourable deals since it's a legitimate commercial aim to attract new business. CBS explained they weren't taking on new customers at the time and the only rates they were offering were those available to existing customers. I'm not aware they were treating Mr D and Mrs L less favourably than other existing customers in a similar position. So, I don't think they acted unfairly.

I understand CBS's sister company was offering different rates. But they explained they operate separately offering mortgages on different terms and conditions and with different interest rate products. CBS weren't in a position to offer Mr D and Mrs L a mortgage with their sister company or give them access to that company's products. That's a commercial issue which I can't interfere with.

I've thought about the impact of CBS's mistake on Mr D and Mrs L and their concerns about the service CBS provided. CBS invited them to get in touch to discuss their mortgage when they let them know about the mistake in January 2023. And when Mrs L spoke to CBS on the phone they provided information about the deals they could offer which was the practical way forward. She and Mr D would have had to go through that process or a similar one to discuss a product transfer or arrange a new mortgage elsewhere. Overall, I think the service CBS provided following their mistake was reasonable, although I can understand it was a

stressful time. Considering everything, I think the £200 CBS has paid is fair and reasonable compensation for the distress and inconvenience Mr D and Mrs L suffered.

My provisional decision

For the reasons I've explained, I don't intend to uphold this complaint."

Developments

Mrs L has responded to my provisional decision on behalf of herself and Mr D. I'll summarise the points she's made:

- She's concerned, broadly, I haven't considered everything, I've made assumptions, I haven't made enough of CBS's initial mistake and the language I've used doesn't adequately reflect what happened.
- CBS's November 2022 letter didn't comply with Principle 7 of the Principles for Business set out in the Financial Conduct Authority (FCA) handbook, which says "A firm must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading."
- She's unhappy CBS failed to mention, when she spoke to them, that they'd withdrawn from the new mortgage market leaving little choice of products for existing customers.
- Although CBS's fixed rate products hadn't changed between November and February, they would have been priced to take account of increases in borrowing rates and wouldn't necessarily have been reflective of other products or the wider market when they were set. So, it's unreasonable to believe a good broker with access to the whole market couldn't have found her and Mr D a better, more suitable product. By March many products had been withdrawn.
- Even though they don't have firm evidence of interest rate deals available in December/January, if CBS had provided correct information, they would have immediately looked elsewhere. CBS caused them to miss that opportunity.
- It isn't fair for lenders to charge reduced fees to new customers to the detriment of existing customers. The FCA doesn't allow that for insurance companies.
- Mr D and Mrs L haven't opted to stay on the SVR. CBS's mistakes and changes to personal circumstances have meant they've had to stay on it.
- The £200 compensation isn't fair and reasonable given the stress they've suffered over a long period. It's far less than the amount they could reasonably have saved if CBS had given them the right information.
- Although we are considering this complaint and Mr D and Mrs L's other complaint separately, together they show CBS's systems mean they fail to provide customers with accurate information.

CBS haven't made any comments on my provisional decision.

I'll go on to make my final decision bearing in mind what Mrs L has said.

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 appreciate Mr D and Mrs L's strength of feeling about what happened and I don't underestimate the stress they felt. I've considered all the points Mrs L has made in response to my provisional decision carefully. However, I'm not persuaded to change my mind about the outcome of the complaint, as I'll explain.

My decision is based on the evidence and arguments the parties have provided. In line with rule 3.6.4 of the Dispute Resolution Rules set out in the FCA handbook, to decide what's fair and reasonable in all the circumstances, I've taken into account relevant law and regulations, regulator's rules, guidance and standards and codes of practice.

I noted in my provisional decision that I hadn't set out everything the parties had said, and I explained why. Bearing that in mind, it's inevitable I haven't specifically mentioned all the points Mr D and Mrs L have made or expressed them in the terms they may feel appropriate.

I only have the power to consider the circumstances of Mr D and Mrs L's individual complaint. Their wider concerns about CBS's processes are issues they'd need to ask the FCA, as regulator, to look into.

I agree Mrs L's point that a business must have regard to Principle 7. I've acknowledged CBS made a mistake in the November 2022 letter. And I've agreed it was reasonable for her and Mr D to rely on the CMP figure CBS had set out, even though they'd questioned it and could have discussed it with CBS.

I note Mrs L feels CBS were disingenuous in failing to mention they'd withdrawn from the new mortgage market when she spoke to them in February. I don't think it affects the outcome of the complaint. Even if CBS had discussed that, it wouldn't have changed Mr D and Mrs L's situation. CBS could only offer the products they had available.

I understand Mrs L's unhappy with the £200 compensation CBS paid. She's said CBS's mistake has caused untold stress over a protracted period and the payment doesn't cover their financial losses.

Although Mr D and Mrs L say they would have been able to get a better deal with another lender if they'd had the chance, they haven't shown they've incurred a financial loss as a consequence of CBS's mistake. I note Mrs L feels strongly they'd have been able to find a more suitable product through a broker and that they've been told such deals were available. But, without more, it's not reasonable to decide they could have done. And, in addition, there's no certainty an application would have been successful, as I've mentioned. Based on the evidence, it's not reasonable for me to decide CBS were responsible for Mr D and Mrs L losing out financially.

Compensation for distress and inconvenience isn't intended to put right any financial losses. It's to put right the emotional or practical impact of a firm's mistake. Here that means, broadly, the impact of Mr D and Mrs L discovering the mistake and the time and effort they went to in discussing things with CBS and the broker.

I can understand they were disappointed and angry about what happened. Mrs L's distress was apparent from her initial conversations with CBS after their mistake came to light. But her discussions about the products she and Mr D might want to apply for would have happened in any event; they were the result of the existing deal ending, not CBS's mistake.

Although Mr D and Mrs L decided not to go ahead with one of the products CBS could offer, and they continue to be unhappy about their situation, their reasons for staying on the SVR are partly due to personal circumstances. For these reasons, and those I set out in my provisional decision, I think the £200 CBS paid was fair.

Bearing everything in mind, for the reasons I've explained, whilst I understand they will be disappointed, I don't uphold Mr D and Mrs L's complaint.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D and Mrs L to accept or reject my decision before 16 March 2024.

Julia Wilkinson
Ombudsman