

The complaint

Mr B complains that Bank of Scotland plc, trading as Intelligent Finance, closed his current account.

What happened

Mr B has an “offset” mortgage with Intelligent Finance. This allowed Mr B to offset his mortgage against the balance he held in his current and/or savings account with Intelligent Finance. The result was that overpayments would be made to the mortgage, and the interest on the mortgage reduced as a result.

In November 2023 Mr B received a letter from Intelligent Finance explaining that it had made a commercial decision that it would no longer provide current accounts, and that it would be closing Mr B’s current account in February 2024. It said that Mr B could continue to offset his mortgage using the savings account he held with it. It had considered the benefit that might have been generated by Mr B using his current account for mortgage offsetting. And it credited his savings account with £400 as a one-off goodwill payment, explaining that it had calculated this based on the average balance he’d held in his current account over the preceding 12 months.

Mr B asked Intelligent Finance to keep his account open, but Intelligent Finance said the terms and conditions allowed it to close the account.

Mr B says that his mortgage and current account with Intelligent Finance were inextricably linked. He’s commented that the terms and conditions of his account couldn’t be individually negotiated, and he didn’t receive legal advice on them, so he doubts whether they’re legally enforceable. And he believes that even if they are, they breach the Financial Conduct Authority’s (FCA’s) Principles for Business. He says that making a change that’s to the bank’s economic benefit and the customer’s economic disadvantage doesn’t pay due regard to customers’ interests or treat them fairly, as required by the principles.

Mr B says the closure of his current account will prevent him from benefiting from the flexibility and reduced interest that came with an offset mortgage linked to a current account. He’s commented that it’s particularly galling that Intelligent Finance made the change when interest rates were so high, and the benefit of being able to offset his payments was considerable as a result.

One of our investigators considered Mr B’s complaint, but didn’t think it should be upheld. She didn’t think Intelligent Finance had acted unfairly in closing Mr B’s current account or in calculating the compensation it had paid him.

In response to the investigator's view, Mr B said his complaint isn't about the letter notifying him of closure, or about the terms and conditions of his accounts. Rather, it's about Intelligent Finance's decision to close his account and the redress it's paid him, which he considers to be inadequate. He's pointed out that interest rates rose above the level they'd been in the 12-month period that the £400 compensation was based on, and his mortgage is likely to run for many more years. So he considers the compensation that Intelligent Finance paid him to be grossly inadequate.

As Mr B didn't agree with the investigator's view, the complaint's been passed to me.

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.

Intelligent Finance is entitled to make a commercial decision about what types of accounts it's prepared to offer. I'm satisfied that it was entitled to make the decision that it would no longer provide current accounts.

The terms and conditions of Mr B's current account provided that Intelligent Finance could close the account on giving Mr B at least two months' notice. In the event, it gave him around three months' notice of the closure. So I'm satisfied that the notice complied with the account terms and conditions, allowing Mr B time to open a current account with an alternative provider to use for his day-to-day banking.

Mr B says that the argument that offsetting from a savings account will leave customers no worse off would only work if it were realistic for customers to keep a zero balance in their current accounts. As it is, he says he keeps a significant amount in his current account, which is no longer available for offsetting under the new arrangements. I acknowledge that it's unfortunate if offsetting from his savings account might not be as compatible with Mr B's personal money management preferences as using his Intelligent Finance current account was. But I'm not persuaded that it's unfair.

The terms of Mr B's mortgage provided that he could, but didn't have to, have a current account in the same plan as his mortgage. So while I accept that Mr B's preference might have been to use his current account to offset his mortgage, I don't accept that the mortgage and current account were, as he suggests, inextricably linked. Mr B can still offset his mortgage using his savings account with Intelligent Finance. As long as he keeps enough money in his savings account, he can then continue to offset his mortgage as he did before.

Since the investigator sent out his view, Mr B has also commented that it was a feature of the type of offset mortgage that he had that customers could open new accounts at any time, the balance of which could be offset against the outstanding mortgage balance. But this complaint is about the closure of Mr B's current account, and I don't consider that it would have been unfair of Intelligent Finance not to allow Mr B to open another current account, given that it had not been offering new current accounts for many years.

Mr B believes that Intelligent Finance isn't legally entitled to rely on standardised terms and conditions to change products or services materially from what was expected, and he's referred to the Unfair Contract Terms Act. This service isn't a court of law, and doesn't operate as such. Rather, it's an informal, impartial dispute resolution service. While we do take relevant law into account in arriving at our decisions, our remit is to decide what a fair outcome is in all the circumstances. If Mr B would like a decision as to whether Intelligent Finance is legally obliged to provide him with a current account, he will need to do this through the courts.

I've seen nothing to make me think that Intelligent Finance breached the FCA's Principles, as Mr B has claimed. He's referred specifically to the principle that a financial business must conduct its business with integrity and pay due regard to the interests of its customers and treat them fairly.

I've explained why I don't consider that Intelligent Finance treated Mr B unfairly, and I've seen nothing to make me think it acted without integrity. Intelligent Finance hasn't offered any new current accounts since 2009. This means that its current accounts are "closed products", as opposed to "open products", which are products currently available for retail. And the "Consumer Duty" set out in Principle 12 only came into force for closed products from 31 July 2024. I note that Mr B considers that his complaint should be considered on the basis of the law and regulations that apply on the date a decision is made, but I don't accept that. The Consumer Duty doesn't apply to past actions, and is only relevant to complaints about closed products where the events complained about happened on or after this date. As Mr B's account was closed in February 2023, it doesn't apply here.

Having thought carefully about everything that's been said, I don't consider that Intelligent Finance acted unreasonably or unfairly by closing Mr B's account. So I can't fairly require it to pay compensation to Mr B. As it is, Intelligent Finance credited Mr B's account with £400. I realise that Mr B regards this as inadequate. But Intelligent Finance wasn't obliged to make any such payment, and I don't consider the way it calculated the payment to Mr B to have been unfair.

I'm sorry to disappoint Mr B. I know he feels strongly that Intelligent Finance has acted unfairly. But for the reasons I've set out, I can't reasonably uphold his complaint or require Intelligent Finance to take any further action.

My final decision

My decision is that I do not uphold this complaint.

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

Juliet Collins
Ombudsman