

The complaint

Mr C complains about the way that The Mortgage Works (UK) Plc (TMW) administered a transfer to a new interest rate product on a buy-to-let mortgage.

What happened

Mr C has a buy-to-let mortgage with TMW. In June 2023, he arranged a new fixed rate to start in September. The monthly payments would be around £590. The mortgage offer said:

“The mortgage switch will take place on the 1st of the month, and when this happens we will calculate your new monthly payment based on the balance of the mortgage at that time. To comply with BACS we must provide you with notice of the new payment before we can collect it from your bank. If your monthly payment is due within the first 7 working days of the month of the product switch, we will not be able to provide notification of a revised monthly payment in time for your first payment collection after the switch of your mortgage. As a result, the payment due following completion of your product switch will be at the follow on rate as detailed under the terms of your mortgage and an adjustment made in the following month’s payment to reflect any under or overpayment in that first month.”

On 15 August 2023, TMW sent Mr C a letter. It said:

*“We’re getting in touch to let you know that your mortgage deal is coming to an end soon. This means that your mortgage will move onto the managed variable rate (MVR) detailed in your mortgage offer. **If you’ve already switched to a new deal – please ignore the rest of this letter.**”*

The letter went on to say that the monthly payment would be £834.34.

On 31 August 2023, Mr C noticed that a direct debit of over £800 was due to be collected from his account the following day. When he spoke to TMW it said he could cancel his direct debit and pay manually.

Mr C complains:

- TMW should have had the new interest rate in place for the September payment.
- TMW should not have told him to cancel the direct debit – that could have affected his credit file.
- He understood he could ignore the 15 August letter as he’d already switched to a new deal.
- It was unprofessional for TMW to say that it could not find the 15 August letter.
- He had to borrow money from his partner to make the payment.
- TMW had the benefit of the additional amount he paid – it should reduce the interest on

his mortgage.

I issued a provisional decision, proposing to uphold the complaint. My provisional findings, which form part of this decision, were:

I consider the offer set out clearly and prominently that TMW would not charge interest at the agreed fixed rate because Mr C's payment was due within seven days of the product switch. I consider that TMW had valid reasons to do that and told Mr C what to expect.

The 15 August 2023 letter had scope for confusion. It correctly said that Mr C's payment would increase to over £800 in September. But it also told him to ignore that part of the letter if he'd arranged a product switch. So it was reasonable for Mr C to understand that the content of the letter wasn't relevant for him.

I haven't been given any other evidence to show that Mr C was told how much the first payment would be in September. Looking at all of the information given to Mr C, I don't consider it was sufficient for him to understand how much he would need to pay in September. In the circumstances, I consider it would have been fair and reasonable for TMW to tell Mr C in advance how much he needed to pay in September 2023.

I can see why it came as a shock to Mr C when he found out the payment was different to what he expected. I would clarify that I think TMW gave him enough information to know that the payment would not be £590. And Mr C was not a consumer – he was running a business letting properties. But I think in line with good practice and the direct debit guarantee, TMW should have done more to tell him how about a change in the amount he needed to pay.

The evidence I have shows that Mr C was caused a lot of stress because he found out at the last minute the amount he needed to pay was higher than expected. He also had the inconvenience of speaking to TMW and had to borrow funds to make the payment. I think that largely could have been avoided had TMW given him clear information about how much he needed to pay. In the circumstances, I consider that TMW should pay Mr C £100 to reflect any distress and inconvenience caused by that.

The difference in payments was around £250. TMW had that for around a month. But even if I were to award statutory interest at 8% simple per year, that is only £1.67. And in any case, I think TMW acted fairly by reducing the mortgage by the additional amount paid in October. It was reasonable for TMW to suggest that Mr C cancel his direct debit and pay manually instead. But listening to the phone call that Mr C had with TMW, it was clear that he thought that by doing so that would potentially damage his credit rating. TMW could have done more to explain why that was not correct – although I can also see that would have been difficult as Mr C raised his voice and interrupted TMW during the phone call.

I agree that it was unprofessional for TMW to ask Mr C to send it a copy of a letter it had sent to him, when it could have found the letter itself. I note it included a copy of the letter in its submissions to us.

Nationwide accepted my provisional findings. Mr C said there was little he could add. He said that he was going through some very difficult personal circumstances at the time in question and that the compensation should be increased to £200.

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've looked at everything again and see no reasons to change the outcome I reached in my provisional decision.

I was sorry to hear what Mr C was going through at the time and I can understand why he did not want to be dealing with this matter. The comments in my provisional decision were not intended as a criticism of Mr C but merely to show why it wasn't straightforward for TMW to give him all of the information it should have during the phone call.

I still consider £100 is fair compensation for any distress and inconvenience caused to Mr C by this matter. That reflects that there was some distress and inconvenience caused to Mr C but it was limited to a short period of time. I must also bear in mind that the amount involved here was around £250 that Mr C was deprived of for around a month. In the circumstances, I don't consider I could fairly increase my award.

My final decision

My final decision is that Nationwide Building Society should pay Mr C £100.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 2 April 2024.

Ken Rose
Ombudsman