

## **The complaint**

Mr and Mrs C complain about advice they got when taking out additional lending on their existing mortgage with Yorkshire Building Society trading as Chelsea Building Society, and about problems when they tried to refix the interest rate on the first part of the mortgage.

## **What happened**

Whilst this complaint is brought by both Mr and Mrs C, as the mortgage is in both their names, our dealings have been with Mr C. So I'll mainly refer to him in this decision.

Mr C raised two concerns with our service. The first was when he took out additional lending with Chelsea, it didn't properly explain to him the implications of that. Mr C said he hadn't been told he couldn't move his main lending away from Chelsea, without moving the new lending too. He thought that this should have been explored, because the fixed rate on the existing lending was due to expire less than 12 months after the new lending was taken out.

Mr C said because that wasn't discussed, he'd assumed that he could take the existing mortgage lending elsewhere, without also moving his new borrowing. And he said he then had to pay more for his fixed rate mortgage deal on the first part of the mortgage, because he couldn't move away from Chelsea without paying an Early Repayment Charge ("ERC") on the second part of his mortgage.

Mr C also said he thought Chelsea knew he was tied into staying with it, and that's why it wasn't offering him better rates. And he said the information and advice provided by Chelsea when he was trying to secure a new deal was so misleading that he couldn't make an informed decision on what to do.

Mr C said that at first, Chelsea wrote to him setting out what his payments would be once the fixed interest rate finished. Mr C said he thought the amount was wrong, Chelsea insisted it was right, but Chelsea then wrote again in late January, saying the letter it sent out in November was wrong after all. Mr C said that wasted valuable time for making a decision.

After this, Mr C said he struggled to get anything helpful from Chelsea. He said he almost accepted a product online, until he was told on a call that he wouldn't get a cooling off period. Mr C said that wasn't explained online.

Mr C then had an appointment with a mortgage advisor, and took a rate of 4.47%. Mr C said he checked the monthly cost for this, and spoke to other banks, who were offering better rates. Mr C said he then discovered Chelsea also has better rates that it only offers to customers who have already finished their existing deals. Mr C cancelled the deal he'd booked, and allowed his existing fixed rate to expire, then took out a deal for 4.16%. But he said he then found that the monthly payments on an interest rate of 4.16% were in fact marginally more than he'd been quoted on the rate of 4.47%.

Mr C said Chelsea told him the difference was because the quote for the first, higher interest rate was given earlier, and quotes are based on the term remaining at the time, not on a future predicted position. Mr C said that was pointless, and stopped him from being able to

make an informed decision.

Mr C said he could have saved about £7 per month if he'd been able to move his mortgage elsewhere, so he wanted Chelsea to pay that for the five years of his fixed rate, and also to pay the £165 it had offered, for the inconvenience he'd experienced.

Chelsea first wrote to Mr C on 22 February 2023, in response to his complaint.

Chelsea said then that it doesn't expect its advisors to state expressly that customers can't move one part of a mortgage to a different lender. Chelsea said its advisors can't cover every eventuality. But it said Mr C could have asked about this, if he wanted to clarify.

It said it was sorry the information in the November 2022 letter it had issued, about future payments when part 1 of Mr and Mrs C's mortgage reverted to the standard variable rate ("SVR") was wrong.

Chelsea thought that the online portal for switching mortgage interest rates did tell customers that if they accepted an offer, then they wouldn't be able to cancel later. But Chelsea said it was looking to increase the prominence of this warning.

Chelsea said it wasn't able to offer Mr and Mrs C products from its "base range". It plans the products it will offer in advance to people whose fixed term mortgages are ending in the next few months, and Mr and Mrs C were able to choose from all the products available to people whose fixed interest rate borrowing ended in March. The "base range" wasn't available to book in advance.

This letter included an offer of £165 in compensation, for the mistakes Chelsea accepted it had made. Chelsea has confirmed that this wasn't paid, as Mr C didn't want to accept it.

Chelsea then wrote again on 17 March, after Mr and Mrs C had taken out their new deal, to respond to their complaint about the different monthly payments it had quoted.

Chelsea said it bases the expected monthly payments on the existing position of the mortgage at the time the quote is given, not on the likely position of the mortgage when the rate comes into effect. Chelsea said that's because it can't be sure what will happen, between the quote being given and the rate coming into effect. It can't predict whether someone will miss payments, overpay, or pay on time for the intervening period. It appreciated that payments will differ somewhat when a product transfer is finally confirmed, but it said that this was a standard process for mortgage advice.

This letter didn't contain any offer of payment, as Chelsea didn't think what it had done here was a mistake.

Our investigator didn't think this complaint should be upheld. He agreed that Chelsea's advisors couldn't cover everything when they discussed additional lending, and he didn't think Chelsea had to explain that Mr and Mrs C wouldn't be able to re-mortgage one part of their loan with another lender and keep part two with Chelsea.

Our investigator said Chelsea accepted it made mistakes about Mr and Mrs C's future payments in a letter sent in November, but this was corrected in January. On the payments, our investigator said he could understand why Mr C would anticipate repayments on a lower interest rate would be smaller, but our investigator said that Chelsea, like other lenders, couldn't provide an illustration based on how a mortgage may look in the future.

Our investigator thought Chelsea had made a fair offer for what had gone wrong, and he

said he wouldn't ask it to do more.

Mr C didn't agree. He said Chelsea should have done more to inform him about the consequences of taking out a second part to his mortgage, and discussed paying the ERC on his existing mortgage, or taking out a different form of loan. Mr C said he might get the call recordings where he discussed his remortgage with Chelsea, and he asked for some extra time to do this. This case was then passed to me for a final decision. And I then reached my provisional decision on this case.

### **My provisional decision**

I issued a provisional decision on this complaint and explained why I did not propose to uphold it. This is what I said then:

In one of his last discussions with our service, Mr C said that he was considering obtaining the calls where he discussed his additional lending with Chelsea. I also thought these were pertinent to the investigation, and I asked Chelsea for these. Having listened to these, I don't think Mr C was misadvised about the additional lending he was taking out on his mortgage.

Mr C first spoke to a mortgage advisor in detail about his proposed lending on 27 January 2021. This was quite a long call, when the advisor took full details of Mr and Mrs C's income, and discussed their lending requirements. At that time, Mr C considered taking a two year fixed term for his additional lending, because that would mean the fixed term on his new lending would end around the same time as the deal on his existing mortgage.

I can hear, towards the end of this call, that the advisor asked Mr C about what he thought the advantages were of having the two lending deals ending at the same time. Mr C then said the advantage would be that he could put them on the same product, although he said they wouldn't be joined, and he understands this. The advisor then said the two parts of the mortgage wouldn't actually join, if Mr C did this. He said *"..if you stay with us it will always be kind of two parts to the mortgage, but if you do get them onto the same interest rate and the same deal then in effect it's the one part. The only way to get onto the one part would be unfortunately if you ever left us, another lender would just put it into one mortgage for yourself"*

Mr C interrupted briefly at this point to signal his understanding, and the advisor then continued *"And yeah, it's only ever one direct debt, but it is the two parts, they might just need reviewing at slightly different times."*

I note that at the end of the call, before the agent called back, Mr C was asked if he had any outstanding questions. He said no, and was told that if he thought of any in the meantime, the advisor would be happy to address them on a further call.

When I listened to this recording, I got the impression that Mr C hadn't just understood the issues raised, but that he came to the conversation already having a good grasp of how any additional mortgage lending would work. And I think the advisor did explain that Mr and Mrs C's borrowing would be in the form of one mortgage, with two parts. If Mr C didn't, in fact, understand this, or the wider implications of this for remortgaging to a different lender, then I don't think that's Chelsea's fault, or that it should have realised this and offered additional detail at this point.

Mr C also said he thought Chelsea should have done more to inform him about the possibilities of paying the ERC on his existing fixed rate product or looking to take out a

second charge loan. But I think Chelsea did raise these possibilities with Mr C, when he had a second discussion with a mortgage advisor on 5 October 2021.

That call starts with the advisor telling Mr C the current ERC required to come out of his existing mortgage deal, which was almost £2,000. Mr C confirmed he simply wanted to leave that lending in place. The advisor then asked Mr C if he wanted to explore other options for lending which might be more suitable for his needs, for example, an unsecured loan. Mr C clearly said he wasn't interested in that.

I also note that the advisor was clear on this call, that this was part two of an existing mortgage. I couldn't hear anything on this call which contradicted the advice Mr C was previously given.

So I don't think Chelsea failed to advise Mr C appropriately about the lending he was taking, when he applied to take additional borrowing on his existing mortgage.

I can see that Chelsea made a mistake when it told Mr and Mrs C what their future payments would be, once their fixed rate deal ended and they were paying the SVR. I appreciate that was unhelpful, and may have shaken Mr and Mrs C's confidence in their lender. But I do think that Chelsea's offer of £165 provides a fair and reasonable outcome to this part of their complaint.

Chelsea was then unable to offer Mr C the rate he wanted. When customers are pre-booking a rate in advance of their existing deal expiring, Chelsea asks those customers to choose from the rates that it has worked out it will be able to offer in that month. Mr C told us those aren't as advantageous as the rates that Chelsea can make available immediately, to customers whose fixed rates have already expired. It appears that, when Chelsea allowed customers to choose a rate in advance of their existing rate expiring, it was pricing in the risk of those rates changing before a new deal takes effect. I understand why Mr C would find this frustrating, but I don't think this is an unfair or unreasonable approach for Chelsea to take. So I don't think Chelsea has to do anything to make up for this.

Chelsea said it does warn customers that a decision to accept an online mortgage deal is irrevocable. I'm pleased to see that it has taken Mr C's feedback on this on board, and intends to make this warning more prominent at an earlier stage. I don't think Chelsea has to do more than this, on this point.

Chelsea has also confirmed how it provides mortgage quotes. I think it's reasonable for Chelsea to use the position of the mortgage on the day of the quote to work out future monthly payments. I appreciate that this will affect the payments Mr C finally makes, when a product is applied, so I understand his frustrations here, but again, I don't think that Chelsea has been unfair or unreasonable here. So I don't think Chelsea has to do anything to make up for this.

I know that Mr and Mrs C will be disappointed, but I don't think Chelsea has to do more in this case than make the payment of £165 that it has already offered. As this doesn't appear to have been paid, I will make that award now. But I'll allow Chelsea to count towards the total award, any payment it has already made to Mr and Mrs C for this complaint, in case they have accepted that payment more recently.

I invited the parties to make any final points, if they wanted, before issuing my final decision. Both sides replied.

## **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.

Chelsea said it had nothing to add. It confirmed that it hadn't yet paid the amount of £165 which it previously offered.

Mr C replied to indicate that he disagreed with the outcome of the provisional decision. He said his main concern was that he'd been given inaccurate information when he was trying to decide which product to take.

There was then some confusion about whether Mr C was obliged to accept my decision at that stage, if he wished to receive the award I proposed to make. I understand that this has since been clarified, and Mr C hasn't commented further. I think it's now appropriate to finalise this case.

I understand that Mr C would have liked clear information which predicted accurately the payments he would make when any new interest rate was applied to his mortgage, but I think that Chelsea explained the limitations it is working under. I said in my provisional decision that I didn't think it was unreasonable or unfair for Chelsea to work on the basis of what it knows (the position of the mortgage on the day) rather than on the basis of a prediction of the future position of the mortgage. Although I appreciate that this also has disadvantages, I still think that is a fair and reasonable approach. So I haven't changed my mind. I'll now make the decision I originally proposed.

## **My final decision**

My final decision is that Yorkshire Building Society trading as Chelsea Building Society must pay Mr and Mrs C the sum of £165 which it has previously offered for this complaint, unless it has already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C and Mr C to accept or reject my decision before 12 April 2024.

Esther Absalom-Gough

**Ombudsman**