

The complaint

Mr W and Mrs W complain about the service they have received from Julian Hodge Bank Limited trading as Hodge Lifetime.

In particular, they complain that Hodge Lifetime:

- took the wrong monthly direct debit payment;
- sent them a letter incorrectly claiming their mortgage was in arrears, despite having received a large lump sum payment towards their mortgage; and
- increased the interest rate on their mortgage before their fixed rate product ended.

Mr W says the problems they experienced jeopardised their re-mortgage with a new lender and caused them immense stress and pressure.

What happened

Mr W and Mrs W held a lifetime mortgage with Hodge Lifetime. Their mortgage was linked to a fixed rate product. The fixed rate ended on 24 September 2023. Ahead of the fixed rate ending, in mid-August 2023, Mr W and Mrs W had arranged for their mortgage to transfer to a new fixed rate product, when their existing fixed rate product ended.

On 21 September 2023, shortly before their mortgage was due to transfer to the new fixed rate, Mr W and Mrs W notified Hodge Lifetime that they did not want to go ahead with the new fixed rate. Their mortgage therefore reverted to Hodge Lifetime's Standard Variable Rate (SVR) when their fixed rate ended.

As Mr W and Mrs W cancelled the new fixed rate so close to its start date, Hodge Lifetime did not have time to re-set their mortgage account to reflect that their mortgage had moved to its SVR, and not a new fixed rate, before their existing fixed rate ended. Because it was not able to make the changes in time, the direct debit payment it took to cover their monthly mortgage payment was incorrectly calculated based on the new fixed rate that they had applied for.

In addition, Mr W and Mrs W also made several lump sum payments to reduce their outstanding mortgage balance around this time and the SVR Hodge Lifetime charged increased to 8.10% on 25 September and again to 8.35% on 1 October 2023. All these changes: the lump sum payments; the cancellation of the fixed rate product and the changes to the SVR that was applied to the outstanding mortgage balance, meant that the monthly mortgage payment due needed to be recalculated several times.

Unfortunately, as the system Hodge Lifetime used to calculate the revised monthly mortgage payments did not update immediately to reflect all these changes, it wrote to Mr W and Mrs W on 18 November 2023, incorrectly claiming that their mortgage was £390.71 in arrears.

It is not in dispute that this letter was incorrect. It was generated automatically as Hodge Lifetime had not adjusted the mortgage payment due to reflect the changing interest rates

and the overpayments that had been applied to Mr W and Mrs W's mortgage in time for the correct monthly mortgage payment to be taken by direct debit.

On 21 November 2023, Hodge Lifetime wrote to Mr W and Mrs W again. It explained that when Mr W and Mrs W cancelled the new fixed rate so close to its start date it had been unable to amend their direct debit before the monthly mortgage payment due was collected on 1 October 2023. As a result, it had calculated the monthly mortgage payment due based on the new fixed rate (that they had cancelled) from the date their previous fixed rate had ended on 24 September 2023, rather than the SVR. This meant the payment taken was too low.

It confirmed that it had manually adjusted Mr W and Mrs W's account and the underpayment (as a result of the wrong interest rate being applied) had resulted in a balance outstanding of £390.71. It noted it had spoken to a representative for Mr W and Mrs W on 16 October 2023 who had queried the lower payment and it said it had told the representative that it was reviewing their account.

Once the lump sum payments Mr W and Mrs W had made had been taken into account the mortgage account was adjusted again to reflect that there were no arrears.

Mr W and Mrs W were not satisfied with the explanation they received from Hodge Lifetime and complained. In particular, they said they were concerned that they had been overcharged and that the arrears letter they had received had caused them considerable distress.

Hodge Lifetime did not uphold their complaint. It apologised for the issues Mr W and Mrs W had experienced. It explained that the problems had arisen due to the very short notice they had given when they cancelled the new fixed rate, the lump sum payments they had made to reduce the mortgage balance and the changes to the SVR that applied to their mortgage. It said that due to all the changes to the account, it had not been possible for it to correctly calculate the monthly mortgage payments due in late 2023. It said that as it had issued a redemption statement on 14 November 2023, it had written off the outstanding balance of £28.23 as a gesture of goodwill.

It also said it was satisfied that the redemption amount Mr W and Mrs W paid when they redeemed their mortgage was correct and they had not been overcharged.

Mr W and Mrs W were not satisfied with Hodge Lifetime's response and referred their complaint to this service.

Having carefully considered Mr W and Mrs W's complaint our investigator said she didn't think Hodge Lifetime had acted incorrectly in this matter or overcharged them.

Mr W was not satisfied with our investigator's response and asked for their complaint to be determined by an ombudsman. Mr W made the following points:

- he felt he had *'suffered financially with more & higher interest as a direct result of their mis-management & delays'*.
- Hodge lifetime had *'...indicated I owe them money which is far from correct. This is slur against my character'* and;
- Mr W said he had *'...been affected by a problem created by them with my credit rating which has wider implications to any other lending I have or want by being charged with higher interest rates'*.

Our investigator asked Mr W to provide evidence to this service to show that his credit file had been affected by the problems he had experienced with Hodge Lifetime.

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.

Having done so I have reached the same view as our investigator and for much the same reasons. I'll explain why.

It is not in dispute that there were a number of changes to Mr W and Mrs W's mortgage account in September and October 2023. In particular:

- their fixed rate mortgage product ended on 24 September;
- they cancelled the new fixed rate product they had booked shortly before it was due to start;
- the standard variable rate that was applied to their mortgage after the fixed rate ended changed on 25 September and again on 2 October; and
- Mr W and Mrs W made a number of lump sum payments towards their mortgage.

In addition, Mr W and Mrs W were also in the process of taking out a new mortgage with a different lender and wanted to redeem their mortgage with Hodge Lifetime.

I appreciate that Mr W feels that Hodge Lifetime should have had more robust systems in place, so that all the changes that were made to the mortgage account in September and October 2023 were immediately reflected in the monthly mortgage payment due.

However, I must take into account that Mr W and Mrs W's decision to cancel the new fixed rate they had selected was made only two days before the new rate should have been applied to their account. Likewise, as I have set out above, the standard variable rate that applied to their mortgage also changed twice in a short period of time. Each of these changes, in addition to the lump sum payments Mr W and Mrs W made to reduce the outstanding mortgage balance, had an impact on the monthly mortgage payment due and this meant it needed to be recalculated several times. I don't think it was unreasonable for there to be a delay while all these changes were worked through.

I am mindful that Mr W says he feels he and Mrs W have '*...suffered financially with more & higher interest as a direct result of their mis-management & delays*'. I have carefully reviewed the interest rates that were applied to their mortgage with Hodge Lifetime. Having done so, I cannot reasonably agree that Hodge Lifetime applied the wrong interest rates to their mortgage or that it has mismanaged their mortgage account. I also note that, as it set out in its final response to their complaint, Hodge Lifetime has written off the outstanding balance of £28.23.

In the absence of anything to support Mr W's claim that he has 'suffered financially' I cannot reasonably uphold this aspect of his complaint.

Mr W also says Hodge Lifetime '*...indicated I owe them money which is far from correct. This is slur against my character*'. It is not in dispute that Hodge Lifetime sent a letter to Mr and Mrs W on 18 November 2023, incorrectly claiming that their mortgage was £390.71 in arrears.

As Hodge Lifetime has explained, this letter was sent in error. It was generated automatically as it had not adjusted the mortgage payment due to reflect the changing interest rates and the overpayments that had been applied to Mr W and Mrs W's mortgage in time for the correct monthly mortgage payment to be taken by direct debit. Hodge Lifetime has apologised for this error on its part.

I appreciate that Mr W found the letter very upsetting, but I must also take into account that on 21 November 2023, Hodge Lifetime spoke to Mr W and it explained that the direct debit payment it had taken in October 2023 had been too low. It also wrote to Mr W and Mrs W that day and explained that when they cancelled the new fixed rate so close to the start date it had been unable to amend the direct debit before the monthly mortgage payment due was collected on 1 October 2023. As a result, it had calculated the amount due based on the fixed rate they had cancelled (from the date their previous fixed rate had ended on 24 September 2023) rather than the SVR. This meant the payment taken was too low.

As Hodge Lifetime apologised for its error and explained how it had come about, I don't think it needs to do any more than it has already done to resolve this aspect of Mr W and Mrs W's complaint.

Mr W also says he has been '*... affected by a problem created by them with my credit rating which has wider implications to any other lending I have or want by being charged with higher interest rates*'.

Our investigator asked Mr W to provide evidence to support his claim that Hodge Lifetime had provided adverse information to the credit reference agencies in connection with this mortgage. Mr W has not provided anything to this service to support his claim.

I have also taken into account that on 12 December 2023, Hodge Lifetime confirmed in writing to Mr W and Mrs W:

I would like to reassure you that your account was not in arrears, and this letter has not affected your account or your credit score.

As this is the case, I cannot reasonably uphold this aspect of this complaint.

Having carefully considered this matter, I don't think that the service Hodge Lifetime provided was unsatisfactory or that it has treated Mr W and Mrs W unfairly in this matter. There were a number of changes to their mortgage account over a short space of time and I don't think Hodge Lifetime could reasonably have been expected to process all these changes and change the monthly direct debit payment due immediately.

My final decision

My decision is that, for the reasons I have set out above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W and Mrs W to accept or reject my decision before 22 August 2024.

Suzannah Stuart
Ombudsman