

The complaint

Mr and Mrs P complain that Bank of Scotland Plc trading as Intelligent Finance (IF) closed their current account which had been offset against their mortgage.

What happened

Mr and Mrs P had a current account and a mortgage with IF. The current account was offset against the mortgage which meant the balance in the current account reduced the amount of interest Mr and Mrs P had to pay on the mortgage.

In October 2023 IF wrote to Mr and Mrs P saying it would close their current account on or around 8 February 2024. IF said Mr and Mrs P could still offset funds against their mortgage if they moved the funds into an IF savings account. And it said it would give them £1,300 in recognition of the inconvenience that caused them.

In January 2024 Mr and Mrs P opened a savings account with IF. IF paid £1,300 to Mr and Mrs P. And Mr and Mrs P opened a current account with a different bank.

Mr and Mrs P complained to IF about its decision to close their current account and the amount of compensation it paid. IF didn't agree it had acted unfairly. And Mr and Mrs P referred their complaint to this service.

Mr and Mrs P told this service the closure of their current account would cost them a significant amount in interest over the remaining term of their mortgage. Although IF said they could still offset their mortgage against their savings account, they said that wasn't convenient and it would cost them money because they needed to keep some money in their current account and so – unless they moved money between accounts frequently – they'd no longer be able to offset all of their money. They said £1,300 was only a fraction of the benefit they'd be losing, so IF should pay more compensation.

One of our Investigators looked into Mr and Mrs P's complaint. She didn't think IF had treated Mr and Mrs P unfairly or unreasonably. In summary she said the following:

- In general IF wasn't obligated to continue providing an account to a customer and it was entitled to take the commercial decision to stop offering a current account to Mr and Mrs P. And IF hadn't opened any new current accounts since 2009.
- The account closure was in line with the terms and conditions of Mr and Mrs P's current account which said IF could close Mr and Mrs P's current account if it gave at least two months' notice.
- It would be inconvenient for Mr and Mrs P to have to open a savings account and use that to offset their mortgage balance instead of their current account. But £1,300 was a reasonable amount of compensation for that.

Mr and Mrs P didn't accept the investigator's view. In further correspondence they made the following comments, in summary:

- Under the mortgage offer the current account was optional for Mr and Mrs P but not optional for IF.
- Offset was the most important feature of the mortgage product. The product was called '*Offset fixed 85 until 1 March 2008*' and it came as a package with the offset accounts.
- IF missold the mortgage by referring to offset as one of its features. Misselling was part of Mr and Mrs P's complaint because they were complaining they'd been sold a product with an offset facility which had now been withdrawn.
- Mr and Mrs P would feel the impact of IF's decision for 14 years which was the remaining term of their mortgage. And so – looking at the guidance this service provides about how we award compensation – Mr and Mrs P's circumstances were more akin to the description provided under awards of £1,500 to £5,000. These awards were appropriate where, '*...the mistakes cause sustained distress, potentially affecting someone's health, or severe disruption to daily life typically lasting more than a year*'.
- Mr and Mrs P couldn't move to another provider because there were no offset mortgages available in the current market. So they'd have to stay with IF and constantly move money back and forth between their new current account and their IF savings account.

Amongst other things the investigator said in response that the amount of £1,300 didn't need to be based on calculations of financial loss because it was a goodwill gesture to recognise inconvenience – IF hadn't done anything wrong by closing their account so the payment wasn't based on a calculation of financial loss. And she said any complaint about misselling the mortgage had to be made to IF before this service could consider it.

Because no agreement could be reached, the complaint was passed to me to review afresh and make a decision.

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'm not upholding the complaint. I'll explain why.

First I must clarify that I'm not making a decision about IF's actions at the time Mr and Mrs P were given the mortgage offer. I haven't seen they've complained about that specifically to IF. The complaint I'm addressing is about IF's actions at the time it decided to withdraw Mr and Mrs P's current account. In coming to a decision about that, I've taken into account what Mr and Mrs P said about the way the mortgage was sold to them.

In general, banks are entitled to make commercial decisions about what types of accounts they're prepared to offer. And I'm satisfied IF was entitled to make the decision that it would no longer provide a current account to Mr and Mrs P.

The terms and conditions of Mr and Mrs P's current account provided that IF could close the account on giving Mr and Mrs P at least two months' notice. In the event, it gave them more than three months' notice of the closure. So I'm satisfied the notice complied with the account's terms and conditions, allowing Mr and Mrs P time to open a current account with an alternative provider to use for their day-to-day banking. The terms of the IF 'plan' said that

while IF couldn't close a mortgage or a personal loan in the plan, it could close any of the other accounts in the plan. Given all of this I think IF has acted in line with the terms and conditions.

I don't feel there's anything in the mortgage offer Mr and Mrs P received from IF that fairly or reasonably compels it to provide a current account to Mr and Mrs P. The terms provided that they could, but didn't have to, have a current account in the same plan as their mortgage. And, as I've said, the terms allowed IF to close a current account that was in the same plan as a mortgage. So while I know Mr and Mrs P's preference is use their current account to offset their mortgage – and I understand why they have that preference – the mortgage and current account weren't inextricably linked and I'm not satisfied I can conclude that IF is obligated to provide a current account in the circumstances of this complaint.

Mr and Mrs P have said IF should retain the option to offset their mortgage against a current account because offsetting was a key feature on which the mortgage was sold to them. Aside from the mortgage offer itself I haven't seen evidence of how IF presented the mortgage product to Mr and Mrs P. But I accept that the offsetting facility was likely to have been a consideration in Mr and Mrs P's decision to take the mortgage. But Mr and Mrs P can still offset their mortgage using their savings account with IF. I acknowledge offsetting from a savings account isn't as compatible with Mr and Mrs P's personal money management preferences as using their IF current account was. But I'm not persuaded it's unfair. And as I've said the potential for their current account to be closed by IF with 60 days' notice was included in the terms and conditions.

Having thought carefully about everything that's been said, I don't consider IF acted unreasonably or unfairly by closing Mr and Mrs P's account. So I can't fairly require it to pay compensation to Mr and Mrs P. As it is, IF credited Mr and Mrs P's account with £1,300. I realise Mr and Mrs P regard this as inadequate. But IF wasn't obliged to make any such payment, and I don't consider that the amount it chose to pay was unfair.

Additionally if I thought IF had acted wrongly and so must pay Mr and Mrs P compensation for inconvenience, I wouldn't be persuaded that £1,300 was too little. I know Mr and Mrs P will need to move money between accounts if they want to maximum the amount that's offset against their mortgage. But I can't see that this will cause the level of sustained distress or severe disruption associated with awards of a higher amount. I don't accept that £1,300 is lower than the amount this service would award in circumstances similar to Mr and Mrs P's.

Overall, I'm sorry to disappoint Mr and Mrs P, but I can't reasonably uphold this complaint or require IF to take any further action.

My final decision

For the reasons set out above my final decision is that I'm not upholding the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P and Mr P to accept or reject my decision before 26 November 2024.

Lucinda Puls
Ombudsman