

The complaint

Mr A's complaint is about his mortgage account with Northern Bank Limited trading as Danske Bank.

Mr A says that when he was given a quote for a product switch onto a new five-year fixed interest rate product in September 2023 he was quoted a monthly repayment figure of £417.72. Mr A was later told the monthly repayment would be £416.28, a difference of £1.54.

Mr A says that he received no documentation in September 2023, and that he was confused over the date when the mortgage moved onto the new interest rate.

When Mr A complained, he said that Danske failed to adhere to protocols outlined on its website for dealing with customer complaints and has failed to provide a resolution to his complaint, or taken it seriously.

Mr A says he is resolute in his refusal to be bound by the five-year fixed interest rate product, and he wants Danske to revert his mortgage to the interest rate product he was on which expired in January 2023. Mr A also wants Danske to provide him with a six-month interest-only concession, under the Mortgage Charter Support Option.

In addition, Mr A wants Danske to pay compensation for distress and inconvenience. Mr A has also told us that on 17 January 2024, in order to finance his investigation into this complaint, he took out a bank loan of £8,500, which he is paying back at £182.24 per month. He wants Danske to compensate him for this expense.

What happened

The evidence in the case is detailed, running to several hundred pages of documents. I've read everything, and it's apparent that some parts of the evidence are less relevant to the underlying case than others. There are also a lot of duplicated documents and repetition of arguments. In what follows, I have, by necessity, summarised events in rather less detail than has been presented.

No discourtesy's intended by that. It's a reflection of the informal service we provide, and if I don't mention something, it won't be because I've ignored it. It'll be because I didn't think it was material to the outcome of the complaint. This approach is consistent with what our enabling legislation requires of me. It allows me to focus on the issues on which I consider a fair outcome will turn, and not be side-tracked by matters which, although presented as material, are, in my opinion peripheral or, in some instances, have little or no impact on the broader outcome.

The complaint can be summarised as follows. Mr A has a capital repayment mortgage with Danske which was on a fixed rate of 2.27% which expired on 2 January 2024, following which the mortgage would switch to a reversionary rate of 7.65%.

On 6 September 2023 Mr A used Danske's online portal to select and complete a product transfer. He chose a five-year fixed interest rate of 5.40% on the balance (as of September

2023) of £69,193.63, which would give a monthly repayment of £417.82 for the fixed-rate period. The product transfer portal also explains that repayment figures may be subject to change and will be confirmed within the Product Transfer offer letter.

A product transfer illustration (ESIS) was produced for Mr A which he had the option of printing or saving as a PDF, with the user confirming they have done this. (I note Mr F has made reference to the PDF in his correspondence with Danske, so it appears that he saved it.) Following this a product transfer offer was sent to Mr A by post, but Mr A says he didn't receive it.

I have seen the screenshot Mr A has provided, which confirms the product has an early repayment charge (ERC), and that there is a tab marked 'next' which would take him to the next screen confirming the fees and features applicable to the mortgage (which would include the ERC). I also note that the ESIS contains information about the ERC.

In December 2023 Mr A spoke to Danske to discuss his mortgage. He wanted to see if rates had changed prior to his old rate expiring in January 2024. There was another product available which would have reduced his monthly payments by 82p, and Mr A was asked if he wanted to cancel his existing product switch offer and switch to that other product, but he declined. During the call the advisor confirmed that the monthly repayment for the product Mr A had selected in September 2023 would be £416.28. Mr A queried this, as he'd been told on the portal that the repayment would be £417.82.

On 31 December 2023 it was confirmed to Mr A again that the monthly repayment on the new product would be £416.28.

Mr A complained to Danske on 6 January 2024. He was worried that making payments of £416.28 would adversely affect his credit rating, given his belief that he had initially agreed to pay £417.82 per month.

On 21 January 2024 Mr A raised further concerns with Danske. Mr A queried the effective date of the new product, as he'd received a letter saying that the change took place from 15 January 2024, whereas he thought it was from 2 January 2024. Mr A also wanted to know what terms and conditions had been changed on his mortgage.

Mr A said that he'd yet to receive the product transfer offer and he wanted clarification as to why the PDF from his online application on 6 September 2023 gave a monthly repayment of £417.82, but the letter he'd received about the product switch taking effect dated 15 January 2024 showed a payment of £416.28, when the interest rate of 5.4% was the same.

Mr A also said that the first time he became aware of an ERC attached to his new interest rate product was on 5 January 2024.

On 27 January 2024 Mr A raised his complaint with our service. As well as the issues relating to the mortgage, Mr A was dissatisfied at what he thought was a lack of response to his complaint and a failure by Danske to take his concerns seriously.

Danske issued its final response letter on 16 February 2024. Danske explained that the product switch tool explained that the figures quoted were subject to change. Danske also clarified that, where a mortgage payment is due within 19 days of a mortgage switching to a new rate, the repayment won't change until the following month. Therefore, although the new rate of interest was effective from 2 January 2024, the new payment of £416.28 commenced on 9 February 2024. Danske also confirmed there were no changes to the terms and conditions of the mortgage.

Danske noted the contact it had had with Mr A and that it had responded to his complaint within a reasonable timescale. Whilst Danske noted the resolution Mr A wanted for his complaint – reversion to the previous expired 2.27% interest rate, and a six-month switch onto interest-only (as provided under the Mortgage Charter), Danske wasn't able to agree to this.

An Investigator looked at what had happened. In relation to the product switch, he didn't think Danske was at fault, although he thought Danske could have been a bit clearer in what it told Mr A.

The Investigator noted that Mr A had asked several times about support under the Mortgage Charter, but this hadn't been addressed. The Investigator therefore thought Danske should consider Mr A's request (if he still wanted it), backdate it to the date he first requested it and refund the payment difference between the monthly repayments on a capital repayment basis and an interest-only basis, with 8% interest on that sum.

The Investigator thought Danske should compensate Mr A for its poor customer service by paying compensation of £150. Given that Danske hadn't addressed Mr A's request for support under the Mortgage Charter, the Investigator thought there was potential for harm. In addition, Danske hadn't sent Mr A documentation he'd asked for about the mortgage.

For those reasons, the Investigator thought £150 compensation was fair and reasonable.

Danske has accepted that there was a customer service failure in not offering Mortgage Charter Support to Mr A. Danske has confirmed this is still available to Mr A should he wish to apply for it.

Mr A didn't accept the Investigator's findings. He wondered how Danske could offer a product online with a payment of £417.82 and then change it to a lower amount of £416.28. Mr A also said that it was incumbent on Danske to ensure the information he needed was available through its online portal. Mr A said that the suggestion that users bear responsibility for verifying documentation is "*fallacious*", given that he didn't know about the change in the monthly repayment until 12 December 2024.

Mr A also said that the Investigator had failed to take into account the fact that he'd had to take out a bank loan of £8,500 on 17 January 2024 "*to finance this investigation*". As a result, he's encumbered with debt through no fault of his own.

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.

Product switch: The crux of this complaint is that Mr A doesn't understand why he was quoted a monthly repayment of £417.82 when he made his online application, but that this later reduced to £416.28. The explanation is very simple; Mr A has a capital repayment mortgage.

With a capital repayment mortgage, each monthly repayment includes an element of interest and an element of capital. So with each monthly payment made, the capital balance reduces slightly.

The application was made in September 2023, when the capital balance was £69,193.63. I'm satisfied that Mr A was made aware that this was subject to change, as it is displayed

prominently on the online portal. This capital balance gave a monthly repayment figure of £417.82.

The confirmation of the product transfer from January 2024 says:

“Position when the changes take effect

Remaining Loan Amount Outstanding GBP 68,836.88

...

Amount of Each Repayment GBP 416.28”

Therefore, between September 2023 and January 2024 the capital balance on the mortgage had reduced from £69,193.63 to £68,836.88, which in turn resulted in a reduction in the monthly repayment from £417.82 to £416.28.

Therefore no error was made by Danske in its calculation of the monthly repayment. Mr A was made aware in September 2023 that the figures were subject to change, and as his monthly repayments made a small reduction in the capital balance between then and January 2024, the amount of the monthly repayment for the new fixed rate changed.

So whilst I appreciate Mr A was confused, the ESIS and the product transfer confirmation he received in January 2023 show the different capital balances, and so I’m satisfied Mr A was provided with the correct information by Danske.

Mr A says he wasn’t aware there was an ERC attached to his new interest rate product. However, the online portal provides information about this, and it is also included in the PDF generated on 6 September 2023. I’m therefore not persuaded that Mr A only first became aware of this on 5 January 2024.

I appreciate Mr A thinks it’s *“fallacious”* that users have to verify the documentation in the online portal. But this was an ‘execution-only’ application, where Mr A was provided with all the information he needed to decide whether or not to proceed. Mr A chose to apply through the portal, and therefore the onus was on him to make the decision about whether or not to proceed. Mr A wasn’t under any obligation to complete the online application if there was something he didn’t understand or like about the product he’d chosen. If Mr A had wanted an advised application, it was open to him to contact Danske to speak to a mortgage adviser.

Mr A says he is *“resolute”* that he will not be bound by the product switch. If Mr A doesn’t want this product any more, he is free to switch to another product, or even (given his noted dissatisfaction with Danske) another lender, but this would be subject to payment of the ERC on redemption of the mortgage.

Overall, I’m unable to find any error by Danske in relation to the figures provided in the product switch documentation, or in the monthly repayment calculated on the actual account balance. I appreciate Mr A wants Danske to revert his mortgage to the 2.27% rate he was previously on.

But even if I’d found Danske had made an error in the product switch (and, I confirm, there has been no error), this wouldn’t allow Mr A to be put on a rate that has already run its course and expired.

I don’t uphold this part of the complaint.

Customer service: It's unfortunate that Mr A didn't receive the documentation sent out to him after he applied for the product switch. But even after Mr A requested it, Danske still didn't send it out. Whilst I can see this will have caused Mr A some inconvenience, I'm satisfied that the ESIS from September 2023 contained the information about the product terms and features that apply to this mortgage. However, I'm satisfied Danske should have re-sent the documentation when Mr A requested it, as this has added to his suspicions that there was something wrong with the product transfer.

I also note that, although Mr A requested a six-month interest-only period under the Mortgage Charter Support scheme, Danske failed to give this any consideration. I agree that Mr A wasn't treated fairly here.

I therefore uphold this part of the complaint.

Danske has accepted its oversight and agreed to consider a request for Mortgage Charter support. I agree with the Investigator that if Mr A wants this to be back-dated to January 2024, Danske should do this, and refund the additional overpayments he's made on a capital repayment basis for those months, with 8% pa simple interest on the overpayment element. Alternatively, Mr A can ask for a six-month interest-only period going forward.

Complaint-handling: Mr A has raised concerns about what he perceives to be failures in Danske's complaint-handling. Under FCA regulations, Danske has eight weeks to respond to a complaint. I see that the complaint was first raised with Danske on 6 January 2024, but before Danske was able to issue its final response (which was sent within the eight week timescale, on 16 February 2024), Mr A had already contacted our service (27 January 2024). Although Mr A might have wanted a more immediate response to his complaint, Danske is allowed to operate within the timescales provided by the regulator.

Request for additional compensation: Mr A has explained that on 17 January 2024 he was left with no option but to take out a bank loan of £8,500 to fund his investigation into the complaint. Mr A believes that he should be compensated for this by Danske.

Mr A brought his complaint to our service (which is free to consumers) on 27 January 2024. From the documents he's sent us, Mr A's last email to Danske was on 4 February 2024, when he confirmed he'd lodged his complaint with our service. I can therefore see no basis on which it would be fair or reasonable for Danske to reimburse Mr A for the decision he made to take out this loan.

Putting things right

I'm satisfied that Danske's customer service fell short, both in relation to sending out documentation to Mr A after he requested it, and in failing properly to action his request for Mortgage Charter support.

To settle the complaint, Northern Bank Limited trading as Danske Bank is required to do the following:

- if it has not already done so, send Mr A a copy of the product switch offer;
- if Mr A wants it, consider a request for Mortgage Charter support and, if required, backdate it to January 2024;
- if there is a backdated switch to interest-only, reimburse Mr A for the difference in the monthly capital repayment and the monthly interest-only repayment, with interest at 8%

- simple pa* on the amount reimbursed;
- pay compensation for distress and inconvenience of £150.

* If Danske considers that it is required by HM Revenue & Customs to withhold income tax from any interest, it should tell Mr A how much it has taken off. Danske should also give Mr A a tax deduction certificate if requested, so the tax can be reclaimed from HM Revenue & Customs if appropriate.

My final decision

My final decision is that I partly uphold this complaint and I direct Northern Bank Limited trading as Danske Bank to settle the complaint as detailed above. I make no other order or award.

This final decision concludes the Financial Ombudsman Service's review of this complaint. This means that we are unable to consider the complaint any further, nor enter into any discussion about it.

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

Jan O'Leary
Ombudsman