

## The complaint

S complains that Paragon Bank Plc (Paragon) incorrectly displayed information about the product fee for a fixed rate buy-to-let mortgage on its portal.

To put matters right S wants Paragon to accept a 2% product fee for its 5.25% fixed rate product.

## What happened

S holds a buy-to-let mortgage with Paragon. The mortgage product attached to the mortgage was due to end at the end of January 2024. S says it started considering what to do with the mortgage *'in the month prior to the fixed rate ending'*.

S says it selected a 5-year 5.25% fixed rate product displayed on Paragon's on-line portal with a 2% product fee (£1,837). But when it clicked to proceed with the selected product, the product fee increased to 3% (£2,755.50).

Having reviewed the screen shots provided to this service I can see that on the left of the screen, the drop-down box shows a 5-year fixed rate of 5.25%. However, on the right of the screen an interest rate of 6.12% was set out in larger bold font. The 6.12% fixed rate had a 2% product fee. This was also set out on the right-hand side of the screen. The calculations for the monthly mortgage payment set out that the new payment would be £479.11. This monthly payment was based on an interest rate of 6.12%.

When S proceeded to the next page, the screen shot provided shows a product fee of 3% for the 5-year fixed rate of 5.25%. It also set out that the monthly mortgage payment would be £415.03.

S complained to Paragon as it felt the information displayed on its portal was misleading and had incorrectly led it to understand that the fixed rate of 5.25% had a 2% product fee.

Paragon upheld S's complaint in part. It accepted that *'...for the 2% fee product, the screen showed an interest rate of 5.25% at the top and 6.120% on the right-hand side'*.

But it said its portal had displayed the interest rate of 6.12% on the right-hand side of the screen and had also set out that a 2% product fee applied to this product. In view of this it said it was not willing to offer S a 5.25% 5-year fixed rate with a 2% product fee, as this was not a product that had been available.

It noted S had now selected a 5-year fixed rate product of 5.85% with effect from 1 February 2024.

S was not satisfied with Paragon's response and referred the complaint to this service. It said it felt Paragon had falsely advertised their product by displaying one fee and then changing this further down the process. To put matters right it said Paragon should either allow it to transfer to the 5.25% fixed rate and pay a 2% product fee of £1,837 or pay it £918.50, which is equivalent to 1% of the product fee.

Having carefully considered the complaint our investigator said he thought Paragon should allow S to either backdate the interest rate product to the 5.25% rate with a fee of £2,755.50 or the fixed rate of 6.12% with a fee of £1,837. Alternatively, he noted that S may choose to stay on the rate it had selected of 5.85% with no product fee.

But he said he didn't think Paragon needed to reduce the product fee S would need to pay for the 5.25% fixed rate, or pay S £918.50, as a fixed rate of 5.25% with a 2% product fee had not been available. He said he thought that, if there hadn't been any confusion about the product fee it was more likely than not that S would have selected one of the products available from Paragon – as had in fact happened.

S did not accept our investigator's view. It said, in summary that if the product fee for the 5.25% had been 'correctly displayed' it would have been far more likely to have either repaid the mortgage in full or re-mortgaged with another lender at a lower rate. It said:

*This product was incorrectly displayed to me continually each time I visited the site. At the point I eventually accepted it was too late for me to repay as the funds had been used elsewhere and too late for me to use another provider as remortgaging takes several months meaning I'd have been stuck on their very punitive standard variable rate.*

### **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 the way information was displayed on Paragon's portal led S to understand that the 5-year fixed rate product of 5.25% had a product fee of 2%. Paragon has accepted that the screen showed a 2% product fee, with an interest rate of 5.25% in the drop-down box on the left-hand side and a 6.12% interest rate on the right-hand side (in large bold font) - and this led S to understand that the 5.25% fixed rate had a 2% product fee.

What is in dispute is what Paragon should do to put matters right. S says it should either offer it a 5.25% fixed rate with a 2% product fee or pay it £918.50 (1% of the product fee).

*S says '...as I have previously pointed out because of their incorrect information I did not have the several months required to arrange another mortgage. The additional £918.50 of fees that I ended up paying versus my expectations would have meant it was worth my while moving'.*

I have carefully considered S's position. I note that S says, once it had the correct information about the 3% product fee for the 5.25% fixed rate, it chose not to re-mortgage with another lender as this would have taken several months. I accept that it would have taken some time to arrange a re-mortgage, but I must take into account that S told this service that it only started looking at the mortgage products available with Paragon *'in the month prior to the fixed rate ending'*.

S says it felt it was *'...too late for me to use another provider as remortgaging takes several months meaning I'd have been stuck on their very punitive standard variable rate'*. So, even if the information on the Paragon site had not caused confusion, S has confirmed to this service that it had only started looking for a new mortgage product in the month before its previous mortgage product ended. It is therefore likely there would have been a delay before

any re-mortgage could have been arranged after the previous mortgage product had ended. I therefore cannot reasonably say that Paragon should compensate S for its decision not to re-mortgage with another lender.

I must also take into account that I asked Paragon to confirm to this service when the 5.25% 5-year fixed rate with a 3% booking fee went on sale. It has provided evidence to this service to show that this rate went on sale on 17 January 2024. It also provided evidence that shows the mortgage products it offered before 17 January 2024, were linked to higher interest rates. In view of this it appears the earliest S could have considered the fixed rate product complained about was 17 January 2024, two weeks before the previous fixed rate product ended.

S also says that the '*...additional £918.50 of fees that I ended up paying versus my expectations would have meant it was worth my while moving*'. I accept that S may have been able to re-mortgage with another lender at a lower rate. But I must take into account that it is likely there would have been costs involved in any re-mortgage including, but not limited to legal fees, survey fees and product fees for any product selected with a new lender. I therefore cannot reasonably agree that it would definitely have been worthwhile for S to re-mortgage with another lender.

Having carefully considered the information available, like our investigator, I think that as S only started looking at the new mortgage products available with Paragon in the month before the previous product ended, it is more likely than not that - even if there had not been confusion about the product fee for the 5.25% fixed rate - S would have remained with Paragon.

In reaching this view I have taken into account the likely costs involved in re-mortgaging with another lender and that, as S has acknowledged, it may well have taken several months for a re-mortgage to be arranged and during this time it would have been paying interest at Paragon's Standard Variable Rate.

As Paragon did not offer a 5.25% fixed rate with a 2% product fee, I cannot reasonably require it to offer this option to S.

I do understand that this is not the decision S was hoping for, but when determining complaints, I am required to be fair to both parties. In this case, based on the information available to me, I cannot safely say, based on the balance of probabilities, that S would have re-mortgaged with another lender if the information on Paragon's portal had not caused confusion about the product fee payable.

### **Putting things right**

I note that S says it wants to remain on the 5.85% fixed rate it subsequently selected. However, the option to either:

- backdate to 1 February 2024 the 5.25% fixed rate with a 3% product fee; or
- backdate to 1 February 2024 the 6.12% fixed rate with a 2% product fee,

remains open to S if it now wishes to take up either of these options.

### **My final decision**

For the reasons I have set out above, I uphold this complaint against Paragon Bank Plc in part.

Under the rules of the Financial Ombudsman Service, I'm required to ask S to accept or reject my decision before 4 September 2024.

Suzannah Stuart  
**Ombudsman**