

## The complaint

Miss M complains about errors on her mortgage account by Skipton Building Society and incorrect information about her new contractual monthly payment (“CMP”) which meant she was unaware of and unprepared for a large increase in her CMP after a payment arrangement ended.

## What happened

Miss M has a mortgage with Skipton on a repayment basis and had a mortgage product with a fixed rate which ended on 30 November 2023. Miss M in the summer of 2023 agreed with Skipton a mortgage charter payment arrangement set out in a letter from Skipton dated 21 July 2023. Miss M says that although she could have renewed her fixed rate product in December 2023, she didn’t want to tie-in as it’s difficult for her to make long-term plans.

According to the mortgage charter arrangement, Miss M was to pay £180.74 from August 2023 until 31 January 2024 representing interest-only payments based on the mortgage product’s fixed rate. Miss M says that in November 2023 Skipton wrote to her to say that in December her account would move to the Society’s Residential Mortgage Variable Rate (“RMVR”) with a monthly payment of £619.24, although the payment during the remaining period of the arrangement would stay at £180.74.

On 3 January Ms M got a letter from Skipton saying that her monthly payments would be £180.74 on or after 1 February 2024. Miss M says she phoned Skipton and received confirmation that this was correct but received a letter dated 8 January from Skipton saying that the CMP was £889.94 from 1 February. Miss M couldn’t understand the difference in figures from what she understood would be the case and considered this an unreasonable timeframe and asked initially for the term of her mortgage to be extended to allow her to make affordable payments. Skipton didn’t initially agree to the extension but then did so.

Skipton wrote in response to Miss M’s complaint on 15 January saying that as her fixed rate ended on 30 November 2023 her monthly payments should have been £619.74 for each month but £180.74 was collected instead. It accepted this was an error but there would be no consequences for Miss M as the resulting arrears were waived and that money did not need to be paid back. That letter contained an offer of compensation of £150 for the conflicting information in its correspondence.

## Our investigator’s view

Our investigator considered this was appropriate compensation but also increased this by £100 because Skipton had given Miss M incorrect information about her ability to access a term extension although she was able to access this eventually. Miss M disagreed and asked for a review.

## My Provisional Decision

As my view of this complaint differed from that of our investigator, I issued a Provisional Decision in this complaint as set out below :

*“At this time Miss M’s mortgage account was affected by two things. Firstly, she had the benefit of the mortgage charter and her account went on interest-only between August 2023 and January 2024. Secondly, her account was moving from a fixed interest rate to Skipton’s RVMR in December 2024. The crux of Miss M’s issue is that Skipton gave her incorrect information about what her CMP would be after the mortgage charter arrangement ended which meant she was unprepared for the increased CMP that she eventually faced.*

*Miss M had been on a fixed rate of 1.69% and a CMP of £600.41. I note on 21 July 2023 there is a letter from Skipton confirming the terms of the mortgage charter arrangement with the fixed rate at 1.69%, the monthly payment would be £180.74 and that after the arrangement ends the CMP will increase to approximately £617.16. The letter also says :*

*“Your new monthly payment is based on your current interest rate. If your interest rate changes during this period, we’ll recalculate your monthly payment and let you know what your new payment will be “*

*Miss M’s interest rate would change in December as the fixed rate ended then. So, on 8 November 2023, in anticipation of her fixed rate ending Skipton wrote to Miss M to tell her that with her mortgage product ending the interest rate would move to the RVMR at 5.79% pa and this would affect the monthly payment as follows :*

*“Your new payment - advance notice*

*As you’ve chosen to pay by Direct Debit, your payment will be collected on, or just after, the 1st of next month. Your minimum monthly payment will be £619.24, however, as you have an agreed payment arrangement set up, your monthly payment will be £180.74. We’ll continue to collect this amount on or just after the 1st of each month and if the details change, we’ll let you know in writing.”*

*Miss M understood that after the end of the mortgage product her CMP would be £619.24 but that during the remaining period of the payment arrangement it would be £180.74. The context of the November letter is that the mortgage product was coming to an end and this would affect Miss M’s CMP going forward and allowed her to look for an alternative mortgage product. So, the figures should set out the payments she would make on the RVMR. But the figures quoted are not the repayment CMP but the interest-only payments due under the payment arrangement.*

*Miss M believed that she was being quoted the CMP in the future and I can see how she came to that conclusion. Firstly, as I say the context indicates that such is the purpose of the letter. Secondly the two figures in the letter suggest that £180.74 is the monthly figure for the payment arrangement and £619.74 - which is the interest-only element of an increased CMP - will be the CMP. Further, Miss M understood from the July letter that the post-arrangement CMP would be about £600 and this is confirmed by the figure in the November letter. So, I consider that it was reasonable for Miss M to believe, as she says she did that her monthly payments after the arrangement would be in the region of £600 rather than nearly £900 as proved to be the case.*

*I believe that the November letter should have been clearer including a figure for what the CMP would be in December if the payment arrangement wasn’t in place and making clear that the figure quoted of £619.74 was for payments on an interest-only basis. I wondered why Skipton didn’t do this and it’s possible that its system may not have recognised the account as a repayment type once it converted, albeit temporarily, to an interest-only mortgage. I believe had the correct CMP been quoted it would have been in excess of £800 and if Miss M knew that then she would have been in a better position to prepare for it in February. Miss M raised this issue with Skipton and in its final response says that “ The*

*reason for the increase from £619.74 to £889.34 is due to your mortgage charter ending “ That’s half the story. The main reason the November quote is so much lower than the actual payment due in February is that the quote is only for the interest-only element of the CMP and that’s not clear from that letter.*

*In addition, from December, according to the account statement, Skipton started charging to the account the interest-only charge based on the new RVMR interest-rate of 5.79%. This was in December 2023 and January 2024 of £631.13 and £633.35 respectively although it had told Miss M that it would continue to charge £180.74. As Miss M paid the smaller sum as she was told to do rather than the larger payment this meant she was in arrears but unaware of it. I understand that the shortfall may have been reported to the relevant credit reference agencies. But Skipton tells us that it has amended the information to show that the correct payments were made so no adverse information should be retained.*

*Skipton then sent a letter on 3 January quoting an incorrect CMP to be paid from February. This oddly was for £180.74, the interest-only figure that hadn’t been relevant since December. Skipton concedes this was an error. Then on 8 January Skipton sent Miss M a letter saying what the correct CMP would be of £889.34. As a result of that Miss M looked for a term extension which was initially refused but then granted*

*Skipton offered Miss M compensation of £150 because of the conflicting letters of 3 and 8 January. Our investigator agreed with this as he thought that Miss M would only have been misinformed about the new payments that would be due for a few days in January. But our investigator felt that Skipton had not handled the application for a term extension correctly and there should not have been an initial refusal and recommended further compensation of £150.*

*My view differs from that of our investigator as I believe that from early November 2023 Miss M reasonably believed from what she’d been told by Skipton that when she exited the payment arrangement that her mortgage payments would be substantially lower than would in fact be the case. I accept that and when she found this out in early January it must have caused a good deal of upset and she had to act quickly and under pressure to sort out the term extension to make the payments affordable. In addition, I believe that Skipton could have dealt with her application for a term extension more promptly.”*

I said that I believed that compensation of £500 more appropriately compensated Miss M for the distress and inconvenience she suffered. I issued my Provisional Decision and invited submissions from Miss M and Skipton. I’ve not heard from Skipton. Miss M agrees with my decision but raises a further issue in relation to the term extension that she applied for under the Mortgage Charter. Miss M wants Skipton to change the term back to 23 years and grant her a temporary term extension via the Mortgage Charter.

### **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.

As I say above, Miss M agreed with the substance of my decision and I’ve had no response from Skipton. In reaching my final decision I’ve reviewed the evidence and believe that my Provisional Decision represents a fair outcome to this complaint. I’ve already dealt with Skipton’s failure to deal with the application to grant a term extension promptly and the associated inconvenience to Miss M and that forms part of the compensation payment of £500 that I’ll be requiring Skipton to pay. My decision does not impact on any application that

Miss M may wish to make to Skipton to amend her mortgage term in the future.

**Putting things right**

Skipton Building Society should pay Miss M £500.

**My final decision**

I uphold his complaint and require Skipton Building Society to pay Miss M £500.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 3 September 2024.

Gerard McManus  
**Ombudsman**