

The complaint

Mr and Mrs D complain that Pennine Financial Services Limited – an appointed representative of TenetLime Ltd – gave them bad advice about how to make overpayments to their mortgage.

What happened

In 2021 Pennine gave Mr and Mrs D mortgage advice. It recommended that they should take a fixed rate of 1.64% until 31 May 2023. The mortgage allowed overpayments of up to 10% of the mortgage balance without an early repayment charge (ERC) being applied.

In March 2023, Mr and Mrs D contacted Pennine. They said they wanted to make an overpayment to their mortgage. Pennine gave them a number of options, including that they should wait until their existing fixed rate ended, then pay £10,000 to the mortgage and then go on to a new fixed rate. They say they did that but reverted to the lender's standard variable rate (SVR) and the fixed rates are more expensive than they anticipated.

Mr and Mrs D said they spoke to their lender and it said it would have been possible to make the overpayment and switch to the fixed rate without going on the SVR – and they would have been better off if they did that. Mr and Mrs D complain that they have ended up paying the SVR and a more expensive fixed rate unnecessarily because of what Pennine told them.

The investigator initially upheld the complaint. She said Pennine should have told Mr and Mrs D to utilise the 10% overpayment allowance while they remained on the fixed rate. TenetLime accepted the investigator's view.

It later came to light that Mr and Mrs D did not make an overpayment. They said that after reverting to SVR it made it difficult for them. They hoped that rates would drop, but they didn't – and they ended up selling their home.

On review, the investigator said while she still considered Pennine had given Mr and Mrs D wrong advice, it was their decision to remain on the SVR. She thought the offer to refund the additional cost for one month with interest was fair. But she thought TenetLime should pay £300 for the distress and inconvenience caused to Mr and Mrs D.

TenetLime did not accept what the investigator said. It said that it did not want to increase the compensation for distress and inconvenience to £300

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.

It isn't in dispute that the advice Pennine gave Mr and Mrs D was wrong – or at least incomplete. It did not recognise that Mr and Mrs D would have been better off making the overpayment while they remained on the fixed rate or set out they could have arranged a new fixed rate.

The difficulty I have is that Mr and Mrs D did not follow the advice they were given. While they reverted to the SVR they never made an overpayment and they did not arrange a new fixed rate once they had made the payment. If they had done so, I could look at what financial loss they suffered. But they did not follow the advice. Therefore, I don't see how I could fairly say that Pennine or TenetLime was responsible for the loss they suffered. The losses flowed from decisions made by Mr and Mrs D.

TenetLime has offered to pay the difference for one month between what Mr and Mrs D paid on the SVR and the fixed rate that would have been available to them, which I understand was 4.6%. It will also pay interest at 8% simple per year on the difference until date of settlement. I think that is fair.

That leaves a payment for distress and inconvenience. Looking at our guidance I think £100 is too low. That would be at the lower end of awards we would make. In this case, Mr and Mrs D were making significant financial decisions based on the information they were given. While they did not follow all of the advice they were given, they did unnecessarily wait to revert to SVR. So I can take into account the impact of that on them.

Mr and Mrs D have told us about the impact on them and in particular how it has affected their mental health. While I accept that some of the impact might be due to decisions they made, they have the ongoing worry that they would not have ended up in this situation if they had received the correct advice in the first place. They also had the shock of finding out that the initial advice was wrong. Along with the additional inconvenience caused because of the poor advice – including having to pursue this complaint.

In all the circumstances, I consider £300 is a fair amount to reflect the distress and inconvenience caused by Pennine. If Mr and Mrs D had followed the advice and the impact had affected them for longer, with some ongoing effects, my award would likely have been higher than that.

My final decision

My final decision is that TenetLime Ltd should:

1. Calculate what one month's mortgage payment would have been if Mr and Mrs D had an interest rate of 4.6%
2. Pay Mr and Mrs D the difference between the first monthly payment they made to their lender on SVR and the above amount (1).
3. Pay interest on the difference calculated in (2) at 8% simple per year from the date of the first monthly payment on SVR to date of settlement. If TenetLime considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr and Mrs D how much it's taken off. It should also give a tax deduction certificate if they ask for one, so they can reclaim the tax from HM Revenue & Customs if appropriate.
4. Pay Mr and Mrs D £300.

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

Ken Rose
Ombudsman