

## The complaint

Ms N complains that The Royal Bank of Scotland Plc (“RBS”) didn’t tell her when it doubled the overpayment allowance on her mortgage, to 20% of the outstanding debt per year. Ms N said she missed the chance to pay extra to the more expensive part of her mortgage.

## What happened

Ms N said RBS recently changed its policy, so it was now allowing customers to overpay more of their mortgage. From 13 March 2023, RBS allowed its customers to overpay up to 20% of the outstanding mortgage debt per year, which was double the previous 10% overpayment allowance.

Ms N said RBS had told her it was only letting customers know about this in three ways – in a new deal letter (which didn’t apply to her) in the annual statement (which Ms N wouldn’t get until January 2024) and via RBS’s online system, Manage My Mortgage. Ms N said the page on Manage My Mortgage where RBS first alerted customers to the overpayment allowance change, wasn’t one she had any reason to visit. She noted that RBS has now changed this, so the increased overpayment allowance is more prominent on its web pages.

Ms N said when RBS made its change, she’d already used her 10% overpayment allowance for the 2022 to 2023 year. She told us she wanted to overpay one sub-account on her mortgage as quickly as possible, because it’s on a higher interest rate than the other sub-account. She said that last year the interest charged there was also higher than she was earning on her savings.

Ms N said if she had known she could have overpaid an additional 10% onto this sub-account in March 2023, she would have definitely done so. But she didn’t find out about this until she started to make overpayments onto sub-account 3 for the payment year 2023 to 2024, which runs from July to July for this sub-account.

As soon as Ms N was aware of this change, in July 2023, she made further payments to use the full 20% of her overpayment allowance in 2023 to 2024. But she was too late to use her full allowance for 2022 to 2023.

Ms N didn’t think this was fair. She said there were a number of simple ways RBS could have brought this to the attention of customers, but it didn’t do so. And she would pay more interest on her mortgage for the remainder of its term, because of what RBS had done.

RBS didn’t think it had done anything wrong. It said it had made a commercial decision to increase the overpayment allowance from 10% per year to 20% on 13 March 2023. It said customers were told about this either in their new mortgage deal letter, or through annual statements, as well as online in Manage My Mortgage. It said this overpayment allowance was not part of the terms and conditions of Ms N’s mortgage, so RBS didn’t have to tell her if it makes changes to this. RBS wouldn’t agree to backdate any payments Ms N made now.

When this case came to our service, RBS said that when it made the changes to the overpayment allowance, it had also written directly to any customers who had used 80% or

more of their annual overpayment allowance, to inform them of the change. RBS hasn't suggested that it wrote to Ms N, as part of this mailing.

Our investigator didn't think this complaint should be upheld. I won't set out his reasoning here, as I've set out my own views in full below.

Ms N didn't think that was fair. She said that RBS should have made this change clear to customers, and not doing so meant she had lost out financially. Because no agreement was reached, this case was then passed to me for a final decision. And I then reached my provisional decision on this case.

### **My provisional decision**

I issued a provisional decision on this complaint and explained why I did propose to uphold it. This is what I said then:

RBS said Mrs N first made an overpayment on 23 July 2023. But the notes on Ms N's account show she has been making overpayments since 2011. Those notes also show that the overwhelming majority of contacts Ms N has had with RBS, have been to establish how much she is able to overpay. The more recent annual statements that RBS has sent us, show overpayments in 2022 and 2023.

I think it was always likely that Ms N would have been interested in making further overpayments, above the 10% allowance that RBS previously had in place.

When RBS increased its overpayment allowance, it did take some steps to notify those who it thought were likely to be interested in that. As well as the steps Ms N mentioned, RBS has told us it also wrote directly to everyone who had used 80% or more of their existing allowance, to tell them that the allowance was doubling.

RBS hasn't suggested it included Ms N in this mailing. That may be because Ms N told us that she's not overpaying on two of her three mortgage sub-accounts at the moment, as the interest charged on those is less than the interest she earns on her savings. But she said she is making the maximum possible overpayments to her third sub-account, which is incurring a higher level of interest.

RBS also amended the information on its regular overpayments page, to tell those making regular overpayments that their allowance was now 20%. But by 2023, Ms N was making ad hoc overpayments, in the form of a lump sum, in the earliest part of the year possible. So she didn't see RBS' overpayments page in March 2023.

I don't think RBS has taken a deliberate decision here to withhold information from Ms N. Quite the reverse, I think RBS had intended to alert the people who make extensive use of its overpayments facility, that this facility had changed. And I think it's unfortunate the notifications it chose didn't reach Ms N at the time. In her particular circumstances, that meant she missed an opportunity to make a further overpayment in the 2022 to 2023 year, for the third sub-account on her mortgage. And in the very particular circumstances of this case, I am persuaded that this provides an unfair outcome.

For those reasons, I will ask RBS to notify Ms N of the extra allowance, which she could have paid in late March 2023, on sub-account three of her mortgage. And if Ms N pays some or all of that sum, within 30 days of RBS notifying her of this amount, then I will ask RBS to accept that sum towards sub-account three of Ms N's mortgage, without counting that towards Ms N's 20% overpayment allowance for this year, so without charging any ERC in relation to that particular payment.

I have considered whether RBS ought to backdate this allowance to March 2023, when Ms N says she would have paid it. But Ms N has told us that she's been earning interest on this money, and that interest has now increased to a rate similar to that charged on this sub-account. So I don't think it would be fair to expect RBS to refund interest it has charged since March 2023, on money Ms N has also used to provide savings income. Instead, I'll ask RBS to pay Ms N £100 in compensation, to reflect the modest difference in the income she may have received from her savings in 2023 and the costs of her mortgage then, as well as the inconvenience to her of having to make this complaint.

I think that would provide a fair and reasonable outcome to this complaint.

I invited the parties to make any final points, if they wanted, before issuing my final decision. Both sides replied.

### **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.

Both sides accepted my provisional decision. That means neither side has offered any further evidence or argument. And I haven't changed my mind. I'll now make the decision I originally proposed.

### **My final decision**

My final decision is that The Royal Bank of Scotland Plc must notify Ms N of the extra allowance which she could have paid in late March 2023, on sub-account three of her mortgage. And if Ms N pays some or all of that sum, within 30 days of The Royal Bank of Scotland Plc notifying her of this amount, then The Royal Bank of Scotland Plc must accept that sum towards sub-account three of Ms N's mortgage, under the terms set out above.

The Royal Bank of Scotland Plc must also pay Ms N £100 in compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms N to accept or reject my decision before 16 October 2024.

Esther Absalom-Gough

**Ombudsman**