

The complaint

Mrs C and Mr G's complaint is about a mortgage account with Bank of Scotland plc trading as Intelligent Finance (and referred to here as IF). Mrs C and Mr G are unhappy that IF has closed the current account that they used to offset their mortgage interest.

To settle the complaint, Mrs C and Mr G want IF to pay them compensation of £10,000.

What happened

I won't set out the full background to the complaint. This is because the history of the matter is set out in the correspondence between the parties and our service, so there is no need for me to repeat all the details here. In addition, our decisions are published, so it's important I don't include any information that might lead to Mrs C and Mr G being identified.

So for these reasons, I will instead concentrate on giving a brief summary of the complaint, followed by the reasons for my decision. If I don't mention something, it won't be because I've ignored it; rather, it'll be because I didn't think it was material to the outcome of the complaint.

In 2007 Mrs C and Mr G took out a mortgage with IF. This was an offset mortgage which allowed them to use various accounts, referred to as "*jars*", such as a savings or current account, to offset their mortgage interest. Mrs C and Mr G opened a current account with IF which they were using to partially offset their mortgage interest.

In October 2023 IF took a business decision to no longer offer current accounts. As a result, a letter was sent to Mrs C and Mr G in October 2023 to give them 60 days' notice of the account closure. In December 2023 IF closed the current account.

Mrs C and Mr G weren't happy about this and raised a complaint with IF. In its final response letter, IF explained that it hadn't been offering current accounts to customers since 2009, and that it had taken the commercial decision to close its current accounts. IF explained that Mrs C and Mr G had the option to link any current account to their mortgage to make their mortgage payments, and that they could offset their mortgage interest by using their savings jars.

IF also explained that the account terms and conditions allowed it to close payment jars, including current accounts, and so it was allowed to do this. IF said that Mrs C and Mr G could use a savings account to offset their mortgage interest. IF offered compensation of £900 for any inconvenience caused to Mrs C and Mr G.

Dissatisfied with IF's response, Mrs C and Mr G brought their complaint to our service. They said IF has not only disrupted their financial planning but has also breached the terms agreed at the outset of the mortgage. Mrs C and Mr G said that using a savings account to offset mortgage interest is impractical, as this would involve them having to make manual adjustments between the savings account and their current account to ensure they didn't go overdrawn.

Mrs C and Mr G thought that compensation of £10,000 would be more appropriate to compensate them for what they claimed their losses would be as a result of no longer having the IF current account.

An Investigator looked at what had happened. Having done so, he was satisfied IF was entitled under the mortgage terms and conditions to close the current account. Whilst he acknowledged this was inconvenient, he was satisfied that, overall, the £900 compensation offered was fair and reasonable.

Mrs C and Mr G disagreed with the Investigator's findings and asked for an Ombudsman to review the complaint. They've reiterated that this is a 25-year contract and that, by closing the current account, they believe IF is in breach of contract. As a result, they believe this is either a mis-sold mortgage, a breach of contract or an unfair contract term, and so should be treated as a complaint about the closure of a mortgage product, not a current account.

Mrs C and Mr G say that, even though they asked for £10,000, they are *"happy to take a lower level of compensation for a quick resolution."*

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'm afraid I have disappointing news for Mrs C and Mr G: I'm not upholding the complaint. These are my reasons.

I do appreciate that Mrs C and Mr G had a current account with IF for many years and that the ability to offset their account balances against their mortgage interest has been of benefit to them during this time. So I understand it was unwelcome news for them to learn that IF had decided to make changes to its product offering and close customers' current accounts.

It's up to IF to determine whether or not it wants to provide, or continue to provide, banking facilities to customers. I don't have any power to tell IF how to run its business, so if it has taken a corporate decision to withdraw current accounts, that's a matter for its own judgement. I can't tell IF to keep an individual's current account open if IF is no longer offering a current account facility to any customers. Given this, IF isn't treating Mrs C and Mr G differently from, or less favourably than, any other customer in the same position.

Mrs C and Mr G say that IF has broken the terms of the mortgage contract. I will explain here that I don't have any power to determine whether or not there is a breach of contract; that is only something a court is able to determine. However, I've looked at the mortgage offer from 2007 and this says:

"You can, but do not have to have, a current account jar in the same Intelligent Finance plan as your mortgage."

I'm satisfied, therefore, that the mortgage offer wasn't conditional on there being a linked current account, as this was entirely optional. Given the optional nature of the current account, I'm also not persuaded that this was, as Mrs C and Mr G argue, an unfair contract term, as it was not imposed on them as a condition of taking out the mortgage.

I've also looked at the terms and conditions of Mrs C and Mr G's account, which explains that IF can close any jar linked to the mortgage by giving at least 30 days' notice. In this case, IF gave 60 days' notice, which is more than it was required to do. I note that IF received an account transfer instruction from another bank during the notice period.

Mrs C and Mr G will still be able to offset mortgage interest using other 'jars', such as savings accounts. I've noted what Mrs C and Mr G have said about the potential inconvenience of this, but they are still able to obtain the benefit of offsetting by using a savings account rather than their current account. Overall, I don't think Mrs C and Mr G's preference to use their current account for offsetting outweighs IF's right to choose which products and services it offers to customers.

Mrs C and Mr G have said that they will accept a lower amount of compensation than the £10,000 they wanted to settle the complaint. IF has paid them £900 compensation, which I think is fair, reasonable and proportionate in all the circumstances. I am aware Mrs C and Mr G don't agree this is a fair amount, but I'm satisfied it is an appropriate sum in all the circumstances of this case.

I know this isn't the outcome Mrs C and Mr G were hoping for. As I said at the outset, I don't have any power to determine whether there has been a breach of contract, as this is a matter for the courts. Mrs C and Mr G aren't obliged to accept my decision if they don't want to, in which case it won't be legally binding on them or IF. Mrs C and Mr G would then have the option of pursuing their grievances against IF in court, should they wish to do so.

My final decision

My final decision is that I don't uphold this complaint.

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 Mrs C and Mr G to accept or reject my decision before 24 December 2024.

Jan O'Leary
Ombudsman