

The complaint

Ms M complains about delays with a new interest rate product being applied to her buy to let mortgage with The Mortgage Works (UK) Plc. She asks that TMW apologises and refunds interest.

What happened

Ms M has a buy to mortgage with TMW. Her interest rate product was due to expire on 31 December 2023.

Ms M took out a new product but this wasn't applied to her account until February 2024. Ms M's mortgage was on TMW's variable rate (it refers to this as its managed rate or follow-on rate) during January 2024. TMW says this was because Ms M didn't apply for the new product in time. It says Ms M needed to apply for the new product by 27 December 2023 for it to be in place on 1 January 2024. It said it had told her this on phone calls and sent reminder letters.

Ms M says she left her employment at about this time. She only receives a pension and the rental income. Ms M told us about the needs of one of her adult children and about her own health issues. Ms M said TMW has taken what is for her a substantial and useful amount of money simply because she missed a deadline whilst distracted by her love for her family and wanting to be part of making their Christmas special. Ms M says it was unfair for TMW to apply the variable rate when she missed the deadline to take out a new product by a few days. She says she's had to cut back on treats, such as taking grandchildren on outings.

Our investigator said TMW hadn't made an error. He said it gave Ms M clear information about the deadline and it was her responsibility to apply for a new product before this.

Ms M said TMW had applied an excessive penalty charge. She said it was unfair for it to charge her £1,000 for being two days late, especially considering the circumstances she'd described. She says TMW used the opportunity of the September 2022 mini-budget to hike up interest rates and then "fine" her for making her product switch application two days late.

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.

TMW says it told Ms M that a product switch offer needs to be accepted more than five days before the product is to be in place. The fixed rate product for Ms M's buy to let mortgage was due to expire on 31 December 2023. If she wanted a new interest rate product to be in place on 1 January 2024 she needed to accept the new product by 27 December 2023.

TMW says it gave Ms M this information by phone. It says its website sets out the deadline and provided screen shots to support this. Its website also says the earliest date a customer can apply is three months before the product is to be in place.

TMW wrote to Ms M on 15 November 2023. The letter says that Ms M needed to apply for a new rate by 27 December 2023 to avoid being on the variable rate.

Ms M completed a rate switch on 29 December 2023. This was after the deadline for the product to be in place on 1 January 2024. Ms M's mortgage was on the variable rate for January 2024.

TMW didn't make an error. It gave Ms M clear and correct information about the latest date she could accept a new product for it to be in place on 1 January 2024. TMW gave Ms M this information well in advance of the deadline and with enough time for her to apply for a product. TMW allows buy to let customers to take out products in the three months prior to the product taking effect. Ms M didn't have to wait until the busy Christmas period. She could have applied for the product switch at any time from October 2023.

TMW didn't apply a punishment or penalty or fine to Ms M's mortgage. It applied its variable rate to Ms M's mortgage in January 2024 in accordance with the mortgage terms and conditions and the information it had given to her.

Interest rates have, as Ms M says, increased in recent years. Ms M told TMW in August 2023 that she intended to re-mortgage. If she did look into this, she'll be aware that TMW isn't the only mortgage lender to increase its buy to let mortgage interest rates. I can't fairly find that TMW was wrong to do so – mortgage lenders are entitled to make a commercial decision about the interest rates and products they offer.

Ms M says TMW should apply the product rate from January 2023 due to her circumstances.

Ms M expressed her views about corporate greed and decisions taken by the previous Government, which led to interest rates increasing. Ms M told us about the circumstances that led to her leaving her job, which meant her income is reduced. She will no longer receive the winter fuel allowance. She says she's only increased her tenants' rent once in recent years and she should be given credit for making her mortgage payments on time over many years. Ms M told us about her health problems and that she has an adult daughter who needs care and support.

I appreciate that Ms M has a lot to deal with. But I don't think her circumstances make it fair and reasonable for me to require TMW to treat her differently to other customers in the same position – that is other customers that didn't apply for a new product before the deadline. I don't think it's fair and reasonable in the circumstances to require TMW to refund any of the interest applied in January 2024 or take further steps in regard to this complaint.

My final decision

My decision is that I do not uphold this complaint.

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

Ruth Stevenson
Ombudsman