

## **The complaint**

Mr and Mrs C complain about how Clydesdale Bank Plc trading as Virgin Money dealt with an overpayment.

## **What happened**

Mr and Mrs C had an offset mortgage with Virgin Money. The mortgage was on two-year tracker mortgage product. They contacted the bank to pay a lump sum towards the mortgage balance to reduce the contractual monthly payment ("CMP"). Clydesdale says that the lump sum overpayment would reduce the term of the mortgage only and not the CMP, but Mr and Mrs C say that this doesn't reflect what is set out in the original Mortgage Illustration. Virgin Money also told them there was limit on the amount of the overpayment they could make to 10% of the mortgage balance.

Our investigator didn't recommend that this complaint should be upheld as the mortgage documentation said that a lump sum payment would reduce the balance but not the CMP. The documentation said nothing about the 10% limit and the information provided about that was incorrect, but Mr and Mrs C's issue was about the CMP not coming down rather than being unable to make a higher overpayment. Mr and Mrs C disagree saying in summary that the mistake about the 10% figure and the lack of clarity regarding the effect of a lump sum on the CMP suggests that Virgin Money's approach is sloppy.

## **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.

Mr and Mrs C worked out that if they made an overpayment, it would then reduce their CMP by about £600. But they then found that it didn't reduce the CMP and so they have had to continue to make the same high monthly payments having just made an overpayment to reduce them. As a result, they decided to remortgage elsewhere with the resulting cost of doing so.

In my experience different lenders will treat how overpayments affect the CMP differently. Some will reduce the CMP immediately after the overpayment. Some will reduce it at the end of the mortgage year. But for other lenders the overpayment will not affect the CMP either during the concessionary period or over the term of the mortgage. It should be said that this was a non-advised sale by Virgin Money so its not responsible for giving advice or considering the suitability of the product for Mr and Mrs C. But the terms that they agree to should be clear to them from the documentation supplied.

I've therefore looked at the mortgage documentation that Mr and Mrs C would have got and a Mortgage Illustration that says under the section headed "Overpayments" that:

*"There are no restrictions to making overpayments on this mortgage.*

*Following receipt of regular overpayments or lump sum payments, we will immediately*

*recalculate the amount that you owe, which reduces the amount of interest charged on the mortgage. This means you could pay less than the total amount shown in this Illustration.*

*Your monthly payments will not change.”*

There is clearly nothing there about a 10% restriction on overpayments but equally it's clear that after making the overpayment Mr and Mrs C couldn't reasonably believe that the CMP would change, and it didn't. So, I can't fairly uphold 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 Mr C and Mrs C to accept or reject my decision before 25 November 2024.

Gerard McManus  
**Ombudsman**