

## **The complaint**

Miss N complains that Skipton Building Society (Skipton) did not inform her that she had the option to switch her mortgage rate when it knew that she was struggling financially.

Miss N has brought the complaint and says that she has been the sole contributor to the mortgage for some time. However, Mr G has also been added to the complaint as he is still a party to the mortgage. He has asked for all correspondence regarding the complaint to only go to Miss N. In light of this I will mainly refer to Miss N throughout the course of my decision, as all correspondence has come from her.

## **What happened**

Miss N and Mr G took out a joint mortgage in May 2007 with another lender. In September 2013, they separated and Miss N says that at that stage she discovered that the lender was no longer offering new mortgages. She therefore says that she was a mortgage prisoner as she was on an interest only tracker mortgage with a high rate and unable to meet the affordability criteria to re-mortgage elsewhere. Miss N successfully applied for the government's mortgage support benefit, however this changed in 2018 from being a benefit to a repayable loan with interest.

The mortgage was taken over by Skipton in 2021. Miss N says that Skipton contacted her when the Bank of England base rate (BOEBR) began to rise to ask if her new monthly payments were manageable and she explained her circumstances. Whilst she initially hoped that she might be able to move to a lower fixed rate mortgage, Miss N didn't meet the affordability criteria as some of her benefits were not able to be counted towards her income. She was therefore left on an interest only tracker mortgage at 2.42% above base rate.

The BOEBR continued to rise and Miss N said that she had no choice but to borrow money from her family as well as reducing her expenditure. She contacted Skipton again but says that by this time the rates were so high that it was impossible for her to meet the affordability criteria to re-mortgage.

Miss N sought advice online and discovered that although a re-mortgage wasn't available, she could switch to a cheaper product with her current lender which would reduce her payments by £425 a month. She moved to a new rate with Skipton in October 2023. Miss N says that she wasn't aware prior to this that this option was available to her and if she had known then she could have done this a long time ago when Skipton took over the mortgage rather than struggling for all this time.

Miss N says that she contacted Skipton several times by phone and completed at least three failed affordability assessments since her mortgage was moved to Skipton, and at no point did it inform her that she could switch products to reduce her monthly mortgage payments by moving her off of the tracker rate when the base rate was rising. She says that it should have done bearing in mind that Skipton was aware that she was on benefits and on the mortgage support scheme, which indicated hardship. She says that the only option given was to re-mortgage with another lender.

Miss N says that had Skipton informed her that she could have switched the product, this would have reduced her financial difficulties as the interest rates would have been lower and she potentially could have been in a position to cancel the government loan, which she now

has to repay with interest. Miss N would like to be put back in the financial position she would have been in had she been told about the option to change the rate earlier.

Skipton says that following the transfer of the mortgage to it from another lender, it wrote to Miss N in June 2021 informing her that she could switch to another fixed or variable rate mortgage with Skipton. It wrote to her again in February 2022 informing her that she may be able to switch from her variable rate to another mortgage product. Skipton says that Miss N was booked in for an appointment to discuss and select a new rate in June 2022 but she didn't attend the appointment. In September 2022, Skipton says that it contacted Miss N with regard to her monthly repayments and informed her that she was able to switch her rate, to which Miss N confirmed that she was aware. As it had informed Miss N of the option to select a new rate, Skipton did not uphold Miss N's complaint.

Our Investigator looked into Miss N's complaint and found that Skipton had made Miss N aware of her option to switch her mortgage product when it took over the mortgage account in June 2021. He therefore didn't think Skipton had acted unfairly, unreasonably or misinformed Miss N and didn't ask Skipton to do anything further.

Miss N disagreed with this so the case came to me to make a decision. She said that regardless of whether information was sent to her by Skipton, the contact logs provided by Skipton show that she asked for any help possible and was declined. Miss N says that once she became aware of the option to switch rates in October 2023, she did this.

I set out in my provisional decision dated 3 October 2024 (reproduced below) why I was minded to uphold the complaint and direct Skipton to put Miss N back in the position she would have been in if she'd been offered a new rate on 15 July 2022, along with paying Miss N £1,000 in respect of the distress and inconvenience caused.

I invited both parties to let me have any further comments and evidence by 16 October 2024. Miss N responded with some further points. Skipton did not respond to the provisional decision.

Having considered Miss N's further points – which I've set out in more detail below – I was minded to make a further amendment to the proposed redress. I gave both parties a further opportunity to comment on this prior to issuing this decision.

### **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 considered the responses to my provisional decision dated 3 October 2024, I remain of the view that this complaint should be upheld. However, I have made a slight amendment to how the redress should be paid to Miss N, in terms of whether she wishes this to be paid to her directly as a lump sum or used to reduce the mortgage balance.

In my provisional decision, I set out the following:

“Having looked at the evidence I disagree with the Investigator's view, and I've explained my reasons further below.

I can see that Miss N was sent a letter dated 8 June 2021 informing her that her mortgage had been transferred to Skipton as of 1 June 2021. Under the section of the letter titled “*Switching your mortgage deal*”, the letter stated “*You could switch to another fixed or variable rate mortgage with Skipton. If you're interested in discussing your options, please call us on the number below. If you wish to proceed with switching, you'll have the benefit of a qualified mortgage adviser*”.

A further letter was sent to Miss N on 10 February 2022 with the subject line of *"Important information about your mortgage"*. The letter stated *"Following the transfer of your mortgage to Skipton in June 2021, we've noted that you're currently on a variable interest rate. Variable interest rates can go up or down at any time and it's hard to predict how the cost of living might increase in the future. In the current economic climate, there could be longer-term effects on interest rates and inflation. Your mortgage transferring to Skipton means that you may be able to switch to another mortgage product which suits your current circumstances."* The letter then detailed what Miss N should do if she wanted to look into changing her mortgage product.

So I am satisfied that Skipton made Miss N aware that she could contact it to discuss switching onto a different product from the variable rate. However, there's no evidence to indicate that Miss N did so at this stage.

Skipton's contact notes show that Skipton contacted Miss N on 14 June 2022 for a review. I've listened to this call and the adviser told Miss N that she could look at a new rate with Skipton. Miss N was concerned that she wasn't in a financial position to be able to re-mortgage so felt that she was trapped. The adviser explained that Miss N would not need to re-mortgage, but that Skipton could offer a rate change. The adviser set out that both Miss N and Mr G would need to agree to the rate switch as Mr G was still named on the account and Miss N confirmed that she thought Mr G would agree to this. An appointment was made for the following day for Miss N to discuss getting onto a better rate. I can see that two calls were attempted and voicemails left with Miss N on 15 June 2022 and then a note was added to say that Miss N had not attended the appointment and to rebook this if she called back.

So I think at this stage Skipton had made Miss N aware that there were options available to her which would not need her to re-mortgage. However, she did not attend the appointment where this was due to be discussed, so I cannot hold Skipton responsible for this.

Skipton's contact notes show that it contacted Miss N again on 15 July 2022 for a review. The notes say that she wanted to discuss a new rate and to enquire about whether she could remove her ex-partner amongst other things. She was transferred to new lending and the further note states that *"as she is currently only in receipt on careers [sic] allowance we cannot accept that as income and she is not trapped so we aren't able to help"*.

Having listened to the call from 15 July 2022, I note that Miss N says that she missed the appointment with the mortgage adviser and said she would like to book another appointment to see if there was anything that could be done as interest rates were going up.

The initial adviser told Miss N that *"We've got mortgage advisers in house who can give you the options and tell you what we can offer. If there's nothing that we can do then it would be a case of seeking independent financial advice, speaking with an independent mortgage adviser, but hopefully we'll be able to offer something to help your situation, even if it's just a lower interest rate"*. The adviser said that he would need to transfer Miss N and confirmed that she was *"wanting to look at a lower rate, and also potentially changing it to a repayment mortgage and extending the term and taking [Mr G] off as well"*.

Miss N was transferred to another adviser. She explained that she needed to drop the interest rate. The new adviser then went through some of the available rates and said that he was confident Skipton could do this on a like for like basis but that he had to check whether Miss N's carer's allowance would be accepted as income. Having put Miss N on hold to speak with the underwriter, he then confirmed that

Skipton didn't accept carer's allowance as income but told her that she could re-mortgage with another borrower. He also said that he couldn't help with taking the customer's ex-partner off. The adviser said he had spoken with credit management who said that unless the customer was unable to make payments now, then they wouldn't step in. He said that he was going to make an appointment for her but would no longer do that as they had said no to the change.

I asked Skipton to explain why Miss N was unable to do a product switch (as opposed to re-mortgaging, extending the term or removing the joint party) in July 2022, as this change would not appear to have been material to affordability.

In its response to this Service on 21 August 2024, Skipton noted that Miss N had informed the adviser that *"she wants to try reducing the payments in any way she can"*. It goes on to say that adviser who she was transferred to was in the new lending department which was responsible for adding or removing someone from the mortgage, and that he was correct to inform her that she would not be able to remove the other party. Skipton says that the adviser was discussing rates on the premise of Miss N wanting to remove the other account holder, so it would not have expected him to go through the rate switch process without Mr G being removed. Skipton states, *"at this point Miss does not question if she can switch rate without taking the other named party off the account"* and that *"it would be the responsibility of the customer to have questioned if she could still do a rate switch whilst keeping Mr on the mortgage"*.

I disagree with this. Miss N had been told in an earlier call that she could switch rates and had previously confirmed to Skipton that the joint party would consent to the rate change (as he in fact did in October 2023). As set out above, Miss N made it clear to the first adviser that she wanted to reduce the payments by any means and asked if *anything* could be done to facilitate this. The first adviser suggested that he hoped Skipton might be able to do something, *even* if it was just a lower interest rate. Before transferring Miss N, he also confirmed with her that she was wanting to look at a lower rate and then *potentially* removing Mr G, along with a term extension or change to repayment.

I am therefore satisfied that Miss N made it clear that she wanted to discuss a rate change regardless of whether Mr G was removed from the mortgage. It also seems to me that the first adviser understood that the rate change was a priority (and this was what the appointment with the mortgage adviser had been scheduled for during the previous call) and that this was not dependent on Mr G being removed from the mortgage. The fact that this information may not have been passed on to the second adviser, or that Miss N was transferred to someone who could only deal with taking Mr G off of the mortgage and looked at a rate change only on the premise that Mr G was removed (without ever confirming this with Miss N) was not the fault of Miss N. And I think the option of switching to a new rate without removing Mr G should have been explored by Skipton and offered to her during the call on 15 July 2022.

I note that Miss N's complaint was not upheld by Skipton on the basis that she had been informed that she had the option to select a new rate by letter in 2021 and 2022. However, from reviewing the evidence, it seems to me that when she asked for a new rate she was given the impression that she couldn't have it.

In its response to this Service on 21 August 2024, Skipton observed that Miss N was only told that she couldn't take Mr G off the mortgage during the call on 15 July 2022. It says that she was not informed that she couldn't do a rate switch whilst keeping Mr G on the mortgage. For the reasons I've set out above, it is my view that Miss N should have been told that she *could* do a rate switch given that she called to discuss options to reduce her monthly payments and specifically mentioned switching the rate.

Skipton stated in its final response that Miss N said during the call in September that she was aware that she could switch her rate. Skipton's contact notes for 15 September 2022 show that it called Miss N for a further review; an increase in payments was discussed and the notes state "*already discussed r/s unable to proceed*".

Having listened to the call, what is actually said during the call is as follows. The adviser says, "*At the moment you are on the Bank of England plus 2.42, you are aware that you can look at a rate switch with ourselves*". The customer then says, "*Yeah I've looked at that but I'm not able to do that because [unintelligible] looked into that for me*". So it seems to me that it is only in light of the call which took place on 15 July 2022, that Miss N says that she is aware that she can switch rates but she was given the impression that she wasn't able to.

On 23 February 2023, the contact notes show that Miss N contacted Skipton "*wanting any help possible with current live mortgage*". It was noted that removing the other party was preferable but that Miss N didn't meet the income requirements for this. It was also noted that Miss N was trapped and the adviser referred the case to a manager to see if there was anything Skipton could do. Again, there is no mention of the possibility of a rate switch at this stage.

Miss N eventually switched rates with Skipton in October 2023. For the reasons set out above, I think that she should have been made aware that this was an option available to her on 15 July 2022, and I think that – if she had been – she would have switched rates at that stage. So I am minded to say that Skipton should put Miss N back in the position she would have been in had she completed a rate switch on that date.

Skipton has provided a list of the rates it had available on 15 July 2022. I think Miss N is likely to have chosen the rate which had the lowest monthly repayment at that time as this was clearly a prime consideration for her. This would have been a three-year fixed rate at 3.31% with a fee of £995, which would have meant that her monthly repayments were around £690 at that time. I note that when Miss N did do a product switch in October 2023, she chose a product with a fee so I don't think that the fee would have prevented her from choosing the product I have outlined above.

I think it is reasonable to assume that the rate switch would have started on 15 July 2022. Therefore, Skipton should calculate what Miss N would have paid for the 3.31% three-year fixed rate mortgage until the end of the fixed rate period (including any fees she would have paid when taking out the mortgage). In response to the provisional decision, Skipton should confirm what the expiry date of the fixed rate product would have been if Miss N had changed rates on 15 July 2022.

It should then calculate what Miss N will now pay for her mortgage over the same period. This includes the tracker rate of BOEBR + 2.42% that she was on between 15 July 2022 and 13 October 2023, and the two-year tracker rate of BOEBR + 0.34% that she was on from 13 October 2023 until what the end date of the fixed rate product would have been had she taken it out on 15 July 2022. Skipton should then pay Miss N the difference.

I won't be asking Skipton to pay any interest on this figure as I consider that the benefit of receiving the future loss upfront broadly offsets any detriment of the past loss not including interest. So, overall, I don't think it is appropriate to award interest on the difference.

I have considered whether Miss N could have cancelled the government support loan she was receiving if she had been given a rate switch in July 2022 and I don't think she would have done. This is because her existing monthly repayment was £759.68, of which the DWP was paying £321.54. As the new rate would only have reduced her

existing payment by around £70 at that stage, I don't think Miss N would have been in a position to cancel the loan.

I have also considered the distress and inconvenience caused to Miss N. I am satisfied that Miss N was struggling financially and that she asked repeatedly if there was anything Skipton could do to reduce the rate as interest rates were rising and her government support was not increasing in line with this. I think this would have been compounded due to Skipton's failure to offer the rate switch earlier than it did. In light of this, I think Skipton should pay Miss N £1,000 in recognition of the trouble and upset caused by its actions.

For the reasons I've explained above, I am minded to find that Skipton should have made Miss N aware that she could do a rate switch on 15 July 2022. I am therefore minded to find that Skipton should do the following to put things right:

- a) Calculate what Miss N would have paid for the 3.31% three-year fixed rate mortgage (including any fees she would have paid when taking out the mortgage) if she had taken it out on 15 July 2022 until the end date of the fixed rate term.
- b) Calculate what Miss N will now pay for her mortgage from 15 July 2022 until the end of the fixed rate term for the mortgage in a) (including any fees she would have paid when taking out this mortgage). Skipton should then pay Miss N the difference between this and a) above.
- c) Pay Miss N £1,000 in respect of the distress and inconvenience caused."

As set out above, Skipton did not respond to the provisional decision with any further representations.

Miss N responded with some further points.

Miss N asks me to reconsider the amount of interest paid as, although she is receiving an upfront payment in relation to nine months of interest, Skipton has earned interest on the money it deprived her of for 27 months. She says that during the months when her mortgage payments were high, she had to rely on credit cards for her basic living costs, which incurred her further interest.

I've considered what Miss N has said but I am not persuaded to add interest to the award I have set out above. Whilst I appreciate that it is not an exact science, as I set out in my provisional decision, I consider that the benefit of receiving the future loss upfront broadly offsets any detriment of the past loss not including interest. I am also mindful that I have awarded £1,000 in respect of the trouble and upset caused, which takes into account the fact that Miss N was struggling financially. I am therefore not persuaded that the fact Miss N incurred interest on her credit cards over the relevant period should attract a further award over and above this.

Miss N has said that the reason she kept the government support loan was due to the ongoing worry and uncertainty of being on a tracker mortgage. She says that she wasn't prepared to take the risk of cancelling the loan in case interest rates went up. However, had she been on the fixed rate from July 2022 paying £690, she would not have lived with the uncertainty that rates could increase.

I've thought about what Miss N has said in respect of the government support loan. I note that when she did switch rates in October 2023, Miss N opted to move to another tracker rate (and it appears that she kept the government support loan at that stage). In any event, and as set out above, in July 2022 the new fixed rate would only have reduced Miss N's monthly payment by around £70 at that time (from around £760 to £690) – and the

government loan was covering over £320 of the monthly mortgage payment. During the phone calls I have listened to from around this time, Miss N indicated that it was a stretch for her to afford the monthly repayments even with the government support loan. Therefore, I remain of the view that I don't think Miss N would have been in a position to cancel the loan to cover the additional £250 a month herself.

Miss N says that she incurred mortgage broker fees when she switched rates in October 2023 as Skipton would not help her directly. I have looked at the mortgage offer and it appears that Miss N paid a fee of £195 directly to her broker for arranging the mortgage.

Given my findings that Skipton should have offered Miss N a rate switch in July 2022, I am satisfied that she wouldn't have incurred the broker fees in October 2023 had this occurred. I am therefore satisfied that Skipton should refund Miss N for the £195 broker fees she paid in respect of the rate switch in October 2023, along with interest on this figure.

Miss N has also said that any money paid to her in the redress will affect her means-tested benefits if it is paid to her in a lump sum. She says that she needs the redress to pay debts she has incurred. However, this means that she will incur further costs in appointing a solicitor to put in a trust to protect continuation of benefits.

I have considered this and agree that it would be unfair for Miss N to lose her benefit entitlement due to Skipton's actions. I am unaware of the thresholds for the specific benefits Miss N receives and the amount of capital she already holds, therefore I can't say what figure of redress would take her over the relevant thresholds. However, in order to avoid her going over these thresholds, Skipton could credit some or all of the amount to her mortgage account to reduce the mortgage balance (and future monthly repayments) rather than paying this directly to Miss N.

Skipton should therefore contact Miss N once it has calculated the total amount of redress due. Miss N should then notify Skipton as to whether she wants some or all of this redress to be credited to the mortgage account rather than paid directly to her. If any or all of the funds are credited to the mortgage account, no early repayment charges or other fees should be applied in respect of this.

I gave both Miss N and Skipton the opportunity to comment on these adjustments to the redress prior to issuing this decision. Skipton did not respond.

Miss S has indicated that if the redress was used to reduce the mortgage balance, her ex-partner would also benefit from the increased equity in the property, despite not contributing to the mortgage payments. She says that she has tried to remove her ex-partner from the mortgage without success. Miss S has also reiterated that she had to take a government loan out as her ex-partner was not contributing to the mortgage. Had Skipton put her on the better rate earlier, she says that she would have been able to cancel the government loan. Miss S says that the only way that she can receive any redress, pay off debts and keep her means-tested benefits is to contact a solicitor to set up a trust.

I've thought about these submissions and they do not change my view on the amended redress outlined above. Whilst I appreciate that Miss S is in a difficult position, it is impossible to now turn the clock back to July 2022. I can only retrospectively put Miss S back in the position she would have been in had the rate been changed at that point. This would ordinarily mean payment of the difference as a lump sum. As a way to avoid Miss S receiving a lump sum – which she says would affect her benefit entitlement – I have proposed an alternative course which is to deduct the amount owed from the mortgage balance. I remain of the view that this is fair and reasonable in the circumstances of this case. As a joint mortgage holder, Miss S's ex-partner would be equally entitled to any

redress in any event so making a part-repayment towards the mortgage balance would not change that. I have also awarded a payment for distress and inconvenience to reflect the additional effect of Skipton's actions on Miss S in her circumstances.

### **Putting things right**

For the reasons I've explained above, I find that Skipton should have made Miss N aware that she could do a rate switch on 15 July 2022. I therefore direct that Skipton should do the following to put things right:

- a) Calculate what Miss N would have paid for the 3.31% three-year fixed rate mortgage (including any fees she would have paid when taking out the mortgage) if she had taken it out on 15 July 2022 until the end date of the fixed rate term.
- b) Calculate what Miss N will now pay for her mortgage from 15 July 2022 until the end of the fixed rate term for the mortgage in a) (including any fees she would have paid when taking out this mortgage).
- c) Skipton should then pay Miss N the difference between a) and b) above.
- d) Pay Miss N £1,000 in respect of the distress and inconvenience caused.
- e) Pay Miss N the £195 broker fees she paid in respect of the rate switch in October 2023.
- f) Pay Miss N simple annual interest of 8%\* on the figure in e) above, running from the date it was paid to the date of settlement.
- g) In respect of the figures calculated in c), d), e) and f) above, Skipton should confirm the amounts of these to Miss N and ask for confirmation as to whether she wants some or all of the total amount to be credited to her mortgage balance rather than receiving this as a payment directly to her.

\* HM Revenue & Customs requires Skipton to take off tax from this interest. Skipton must give Miss N a certificate showing how much tax it's taken off if she asks for one.

### **My final decision**

For the reasons I've explained in my provisional decision and above, my decision is that I uphold this complaint against Skipton Building Society and require it to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G and Miss N to accept or reject my decision before 3 January 2025.

Rachel Ellis  
**Ombudsman**