

The complaint

Mr and Mrs P are unhappy that they lost the offset facility on their mortgage when they completed a product transfer online with Yorkshire Building Society. They don't believe the process was clear. They also complain that Yorkshire failed to pay interest for a number of weeks on their offset savings account before it was transferred to an instant access account.

What happened

Mr and Mrs P took out a mortgage with Yorkshire in July 2014 on an offset basis. They borrowed £521,250 over a term of 30 years and took the mortgage out on a fixed rate at 2.09% until July 2016.

Mr and Mrs P completed further product transfers in 2016 and 2018, with the mortgage remaining on an offset basis.

Yorkshire sent a letter to Mr and Mrs P dated 9 September 2023 letting them know that their product was coming to an end on 30 November 2023. The letter explained that the mortgage would move to Yorkshire's Standard Variable Rate (SVR) on 1 December 2023 and gave them options on how they could take out a new interest rate product if they wished to do so.

On 20 November 2023, Mr P went online and selected a variable rate of 0.53% above the Bank of England base rate which was 5.25% at the time, until 30 November 2025. This was not an offset product, which Mr P says he didn't realise at the time. He says Yorkshire only told him that the offset facility would be removed when they wrote to him on 22 November 2023 to confirm the switch – a letter he only received on 1 December. He contacted Yorkshire, but with the transfer now having completed they said there was nothing they could do.

Mr and Mrs P brought their complaint to the Financial Ombudsman Service where it was looked at by one of our Investigators. The Investigator upheld the complaint as she didn't think Yorkshire had made it clear enough during the online process that Mr and Mrs P would be forgoing the offset facility by taking out the new rate they chose. So to put things right, she said that Mr and Mrs P should be allowed to transfer their mortgage to an offset interest rate from the list of available products at the time on 20 November 2023.

Our Investigator also said that Yorkshire should reinstate the offset savings accounts and rework the mortgage and savings accounts based on the new product, from 1 December 2023, as well as paying £250 compensation for the inconvenience caused to Mr and Mrs P.

Mr and Mrs P accepted our Investigator's view, but Yorkshire didn't agree. They made the following comments:

- When browsing the list of available products online, there was a clear option to filter the list to show only 'offset' products by ticking a box. Showing only offset products initially, rather than all the products that were available to Mr and Mrs P, might've limited their options.
- Mr and Mrs P had been sent a letter on 9 September 2023 with an enclosure about products which were available to them. This showed both offset and standard products. Yorkshire said they would have expected Mr and Mrs P to have read this document.

- Product switches made online are done so with the understanding that customers are making their own decision after reading all available information.
- Yorkshire are unable to change the product to an offset as the product was accepted with no right to withdraw.
- Yorkshire said they offered redress of £100 for the second part of Mr and Mrs P's complaint regarding the loss of interest on the savings accounts. They agreed to reimburse the 60 days loss of interest due to the lack of clarity surrounding this.

As Yorkshire didn't agree with what the investigator said, they asked for the complaint to be reviewed by an Ombudsman, so it's been passed to me to decide.

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.

The crux of the issue here is that Mr and Mrs P strongly believe that it wasn't made clear enough during the online product switch process that they'd be giving up their offset facility when transferring to the new rate they selected. Having looked at everything Yorkshire provided to Mr and Mrs P, I agree that this wasn't made as clear as it should've been. I'll explain why.

I accept that Mr and Mrs P didn't receive any advice from Yorkshire about the product they wanted to select but it was therefore all the more important that they were given sufficiently clear information at the right time, and presented in a way they could understand to allow them to make a timely and effective decision. And I don't think it was.

Yorkshire have provided us with screenshots to show us what Mr and Mrs P would have seen online when they wanted to switch their interest rate. There is an option to filter the available interest rate products shown and I've seen that the offset products have 'offset' in the product title.

Mr and Mrs P explained that they believed that the offset status of the mortgage was a fundamental feature which they could not change unless they carried out a remortgage. They thought that the online switching process was only going to change the rate on their mortgage. And I think it was reasonable for them to believe this, based on the information Yorkshire provided. I don't think the ability to filter the list of products (between offset and other available types) was sufficient to make them think otherwise.

I would have expected Yorkshire's online platform to make it clear that Mr and Mrs P were switching from an offset mortgage to a mortgage that wasn't offset. There should have been a clear warning letting them know that this was happening before they were allowed to proceed to a chosen product – if that product wasn't from the offset range. Yorkshire also didn't warn Mr and Mrs P that if they chose a non-offset product, it would mean that the savings in their offset account would cease to offer any benefit to the mortgage account while also not earning any deposit interest.

Once Mr P had selected a new rate, Yorkshire also provided him and Mrs P with an illustration and then a mortgage offer that set out the key terms. This was another opportunity to make it clear to them that the offset facility would be removed. But this wasn't drawn to Mr and Mrs P's attention. These documents were silent on the offset facility altogether. I don't think the absence of information about it ought necessarily to have caused Mr and Mrs P to question things – given they've explained they assumed the facility to be a core feature of their existing mortgage that would remain unchanged, which as above I think was a reasonable assumption.

I can see that Yorkshire provided some information to Mr and Mrs P about their interest rate options in its letter of 9 September 2023. It listed the various products available to Mr and

Mrs P, with a description of each as either “offset” or “standard”. This was, though, sent several months before Mr and Mrs P needed to carry out their interest rate switch. There was a lot of information within the list, which was supplementary to the letter and as such something that Mr and Mrs P may or may not have read (especially as they opted to complete the switch online some time later). I don’t think Mr and Mrs P should have needed to cross reference various pieces of information across different communication channels in order for them to understand what they needed to do to keep the offset feature of their mortgage.

Mr P said he first became aware that he no longer had the offset mortgage when he received a letter on 1 December 2023. That letter is the first occasion on which I can see that this, and the consequences of it (i.e. that their savings would no longer be used to reduce the interest on their mortgage and would instead be transferred to a different savings account), were made clear to Mr and Mrs P. But by this time it was too late for Mr and Mrs P to make a different decision.

Mr P contacted Yorkshire on 9 December 2023 to alert Yorkshire of the issue. He was also concerned that the linked savings accounts to the offset mortgage were going to change because of this. This shows that this feature was important to Mr and Mrs P and when they contacted Yorkshire about this, they were told that it couldn’t be changed. But I think it would have been fair and reasonable for Yorkshire to allow Mr and Mrs P to change the product based on what had happened.

So taking everything into account, I don’t believe that Mr and Mrs P were given clear information at the time in order for them to make an informed decision about what they wanted to do. Yorkshire didn’t do enough to support Mr and Mrs P’s understanding during the switching process. The absence of a warning or additional information letting them know that they were moving away from an offset facility and what that would mean for both their mortgage account and their savings, means that Mr and Mrs P were not given clear information at the right time to enable them to make an informed decision.

I acknowledge that Yorkshire have said that once an offer has been accepted it can no longer be withdrawn, but the information that Mr P was given online wasn’t clear so I think this should have happened.

I’m persuaded that had Mr and Mrs P’s information needs been met during the online switching process, they wouldn’t have selected a product which was from the non-offset range. And the fact that Mr P contacted Yorkshire straight away supports this. I therefore think that Yorkshire should put Mr and Mrs P back in the position they would have been in had they have been given clear information at the right time.

I appreciate that Yorkshire have explained to us that they offered Mr and Mrs P £100 for the part of their complaint about the loss of interest on the savings accounts, and they also agreed to reimburse 60 days loss of interest due to the lack of clarity around what would happen when their savings accounts changed. But my redress of putting Mr and Mrs P back in the position they would have been in means that the offset savings accounts will all be reinstated which means any interest adjustments should all be taken into account regardless.

Mr and Mrs P have spent some time trying to resolve this and this has caused them some distress and inconvenience. Having an offset mortgage was extremely important to them and I can appreciate their disappointment when they found out that they had lost this feature on their mortgage. I therefore think that Yorkshire should also pay Mr and Mrs P £250 for the impact that this has had on them. This is the total amount of compensation that should be awarded for what has happened.

My final decision

For the reasons given above, I uphold this complaint and direct Yorkshire Building Society to:

- Allow Mr and Mrs P to choose an offset rate from the list that would have been available to them on 20 November 2023.
- Reinstatement of the linked offset savings account which includes two other offset savings accounts which were linked to this mortgage which also changed. These will also need to be reinstated.
- Rework the mortgage account and the offset savings accounts in line with the rate that Mr and Mrs P will select from 1 December 2023.
- Pay Mr and Mrs P £250 compensation for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P and Mrs P to accept or reject my decision before 4 March 2025.

Maria Drury
Ombudsman