DRN-5184640

Financial Ombudsman Service

The complaint

Mr and Mrs M complain that Bank of Scotland plc trading as Halifax caused several issues during their enquiry about a rate switch which has led them to paying more on their mortgage.

What happened

Mr and Mrs M have a mortgage with Halifax, previously consisting of four sub-accounts. Their interest rate on three out of the four sub-accounts was fixed at 1.58% until 31 January 2024, after which their mortgage would revert to Halifax's Homeowner Variable Rate. Part four of their mortgage was interest free until the end of the mortgage term.

In around early March 2024 Mrs M says that she was trying to secure a new interest rate on the mortgage, but she was only able to view two-year fixed rate deals online. She wanted to secure a longer-term deal.

Mrs M spoke to Halifax, it explained that the reason for this was that one of the mortgage sub-accounts had less than five years remaining, and it was not possible to secure a rate that ran past the remaining terms on any of the sub-accounts. The longer fixed rate deals would only be available on the parts of the mortgage with a longer term. This could not be done online and would need to be discussed with a mortgage advisor.

Following a discussion with a mortgage advisor, Mrs M decided to repay the amount owing on two sub accounts – including the one with the short remaining term. This would allow her to submit an online application to change the interest rate on the rest of the account. A total amount of £5,132.35 was received to repay the sub accounts – through separate payments made on 4 March and 6 March 2024.

Mrs M called Halifax on 7 March 2024 to check the progress of the repayment. She was told that it takes 3-5 working days for the payment to be processed and that some adjustments needed to be made to how the funds had been allocated. During the call, Mrs M also discussed available rates with the Halifax agent. She was quoted a five-year fixed rate at 4.39%.

Once the overpayments had been processed and the two sub-accounts were paid off, Mrs M proceeded to secure a new interest rate online on 12 March 2024. She selected a five-year fixed rate of 4.57% until 31 July 2029. She received a mortgage offer the same day.

Mrs M subsequently complained to Halifax. She felt that she'd missed out on lower interest rates due to the delay caused by Halifax when processing her overpayment. She thought that the delays meant she missed out on being able to secure the rate quoted to her on 7 March 2024. And she was unhappy with the overall service she received from Halifax and thought that it should honour the lower interest rates in the circumstances.

Halifax looked into things and apologised for quoting the wrong interest rates to Mrs M on 7 March 2024 that she wasn't eligible for. The agent incorrectly provided Mrs M with rates available for customers purchasing a new property with Halifax's 'Homebuyer Green' range.

Halifax said that the interest rate Mrs M has chosen is the correct re-mortgage rate and has been the one available since 1 March 2024 – so they've not lost out on a lower rate that they would have been eligible for. Halifax offered Mr and Mrs M £100 compensation for loss of expectation by quoting a rate that they were not eligible for. But it didn't agree that the lower rate that Mr and Mrs M did not qualify for should be honoured.

Unhappy with Halifax's response, Mr and Mrs M came to our service. An investigator looked into things and thought that Halifax had done enough to settle the complaint.

Mr and Mrs M didn't agree and asked for their case to be decided by an Ombudsman. They said that had Halifax not caused delays when processing their overpayment, they could have selected their new interest rate to start from 1 April instead of 1 May 2024 – so they've paid an extra month on the Homeowner Variable Rate. In addition, they still think that Halifax should honour the lower interest rate and they should be paid more compensation for the inconvenience caused by having to make several calls to resolve these issues with Halifax.

The investigator considered Mr and Mrs M's comments but explained why his opinion remained unchanged. Before passing the case for a final decision, the investigator sought more information from Halifax with regard to the start date of the new rate. Halifax has provided screen shots to show that Mr and Mrs M's new rate took affect from 1 April 2024. The first direct debit for the new payment amount was taken from their account on 2 April 2024. The investigator explained why he was satisfied this was the earliest the new rate could take affect and so Mr and Mrs M had not been disadvantaged because of any delays or wrong information given by Halifax.

Mr and Mrs M remained unhappy, so the case has 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 key facts about this complaint aren't in dispute. Halifax has accepted it got things wrong. So, the only issue I have to decide is whether the things it has done to put things right, including the amount of compensation awarded to date, is fair and reasonable.

I've carefully considered everything Mr and Mrs M have said about how they've been impacted as a result, and how they should be fairly compensated in the circumstances.

When making an award for compensation, I must decide what's fair and reasonable to both sides involved, giving careful consideration to all the circumstances of this case. I also think it's important to explain that, as a service, our awards are designed to compensate consumers - not punish organisations.

I've given careful consideration to all the submissions made by both parties, but I won't address each and every point that has been raised. I'll focus on the matters that I consider most relevant to how I've reached a fair outcome – in keeping with the informal nature of our service.

Halifax accepts that it provided Mrs M with incorrect rate information on 4 March 2024. Mr and Mrs M say that Halifax caused unnecessary delays during their enquiries that have caused them to pay more on their mortgage. I've thought about the impact the issues raised have had on Mr and Mrs M.

- Mr and Mrs M couldn't proceed with a five-year fixed rate product until payment was received to clear the balance of their shorter-term sub-accounts. Halifax has explained that it takes 3-5 working days for payments to clear.

  Mr and Mrs M made two payments to clear the relevant sub-accounts on 4 March and 6 March 2024. By 12 March 2024, the payments towards the sub-accounts had cleared and Mrs M was able to secure her preferred interest rate online. As this was within the 3-5 working day timescale given by Halifax, I don't agree that Halifax caused unnecessary delay when processing the overpayments that then subsequently impacted the application for the new interest rate – as Mr and Mrs M suggest.

- Mr and Mrs M say that they've lost out on a lower interest rate because of Halifax's delays. I don't agree. I'll explain why. Halifax has provided evidence to show that the rate quoted to Mrs M on 7 March 2024 was for new customers purchasing a new property with its 'Homebuyer Green' range. Halifax accepts that it gave Mrs M incorrect information – but as the rate quoted was never one that Mr and Mrs M would be eligible for, it's not unreasonable that Halifax can't honour the rate. This is because it doesn't apply to customers in Mr and Mrs M's circumstances. Mr and Mrs M are not purchasing a new property that meets the eligibility for the Homebuyer Green range.

  In addition, I've looked at the information for the rates that were available to Mr and Mrs M. Whilst I don't find that Halifax caused unnecessary delay that impacted how soon the application could take place, I can assure Mr and Mrs M that the product they opted for was the same one that was available on 1 March 2024. So, the rate did not change at any point during their enquiries.

- Mr and Mrs M say that Halifax caused unnecessary delay that led to their new product starting a month later than it should have done – costing them more on the Homeowner Variable Rate. Halifax has provided evidence in the form of system screen shots to show that Mr and Mrs M's new rate took affect from 1 April 2024. The first direct debit for the new payment amount was taken from their account on 2 April 2024. The earliest a new rate can take affect is from the 1st of the following month after the application is made. I'm satisfied that Mr and Mrs M's new interest rate took affect from 1 April 2024 and that's the earliest possible date following their enquiries and application made in March 2024.

- While I agree that Mr and Mrs M suffered a loss of expectation by being given wrong rate information during the call on 7 March 2024, I don't agree that any of the delays described by Mr and Mrs M led to them being charged more on their mortgage for the reasons I've explained. Overall, I consider an award of £100 to recognise the distress and inconvenience caused by Halifax's actions to be reasonable and in line with this service's guidelines on such compensation.

My final decision

Bank of Scotland plc trading as Halifax has already made an offer to pay £100 to settle the complaint and I think this offer is fair in all the circumstances.

So my decision is that Bank of Scotland plc trading as Halifax should pay Mr and Mrs M £100 if it's not done so already.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M and Mrs M to accept or reject my decision before 6 January 2025.

Arazu Eid
Ombudsman