

The complaint

Mr H complains that Skipton Building Society have unfairly managed his mortgage over several years, including how the mortgage has been calculated and how Skipton have applied interest to it.

What happened

Mr H's mortgage was sold through a broker in 2008. This was initially provided by Amber Homeloans Ltd, a subsidiary of Skipton and this is now operated wholly by Skipton Building Society.

In 2023, Mr H said he undertook a review of his mortgage and identified several failings with how it was being operated. He said he feels that interest is being applied to the mortgage unfairly and not in line with the contract of the mortgage.

Mr H brought this complaint to the Financial Ombudsman Service and a final decision was issued on 20 May 2024 where the Ombudsman didn't uphold the complaint. They were satisfied that the mortgage was operating in line with the terms and conditions, and he couldn't agree that there had been any error.

Mr H contacted our service in August 2024 and explained that he disagreed with the previous complaint. He explained that he went back to Skipton and now has material new evidence which he believes changes the outcome of his complaint.

He says he has been overcharged interest on his mortgage and his complaint is now that despite the terms and conditions stating that interest is being calculated daily, he believes this is inconsistent with the mortgage offer he was given at the time. He said there is no definition of how daily interest is calculated within the terms and conditions.

Mr H raised two specific points which he believes are new complaint points. He said:

- The mortgage offer/contract used one methodology to calculate interest, but the actual account has used a different methodology to his detriment. Had he of known he would have to pay back an additional £25,000 than was stated in the mortgage offer, he would probably have looked elsewhere.
- Skipton have applied increases to the Bank of England base rate sooner than is permitted by the terms and conditions of the mortgage.

Mr H brought this complaint to the Financial Ombudsman Service and said he had obtained new evidence to show that the terms and conditions are not the same as his mortgage offer and would like us to investigate this again.

The complaint was looked at by one of our investigators who said that we could only look into part of Mr H's complaint. She said that the first point surrounding how interest is charged on the mortgage is effectively the same complaint that a final decision was issued on. But she thought we would be able to consider the complaint point about how Skipton have applied the Bank of England base rate changes to the mortgage.

She looked into this part of the complaint and thought that Skipton had applied interest unfairly. She said that changes to the Bank of England base rate should take effect from the following month – so from the 1st of the month. But having looked at what has happened on Mr H's mortgage, the changes were applied the same day that the interest rates increased.

So she thought that Skipton should recalculate the mortgage when the increases happened, but from the following month. She also thought that Skipton should pay £300 to Mr H for the inconvenience caused as she felt this had an impact on him.

Although Mr H seemed to have accepted what the investigator said about the interest rate rises, he wasn't happy that we were unable to look at the discrepancy he thought had happened between the terms and conditions and the mortgage offer and he didn't agree that this evidence didn't change the original outcome.

He said that the original final decision ruled on the basis that the Ombudsman found that it was acceptable for calculating the mortgage using daily interest. But this complaint is about the fact that the calculation that is being used is different and he has only just found out about this.

Mr H wanted us to consider everything again, so he asked for the complaint to be reviewed by an Ombudsman, so it was passed to me to decide.

I issued a dismissal decision outlining which parts of Mr H's complaint I wasn't going to be looking at again due to the fact that a final decision had already been issued about the same complaint. I explained that the only part of the decision that I would consider, would be the Bank of England base rate increases.

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.

From the information that Mr H has provided since the investigator sent her opinion on this case, it seems as though Mr H was only disputing the part of the complaint that I have said we are not going to review again. But for completeness, I will issue my decision on the merits of the remaining parts of the complaint to ensure finality.

Mr H has told us that he doesn't believe that Skipton have applied interest rate changes correctly to his mortgage and feels that Skipton have made manual adjustments when they shouldn't have done.

Mr H has provided information surrounding the increase in interest rates below:

- 16 December 2021 from 2.65% to 2.80%
- 3 February 2022 from 2.80% to 3.05%
- 17 March 2022 from 3.05% to 3.30%
- 5 May 2022 from 3.30% to 3.55%
- 16 June 2022 from 3.55% to 3.80%

Skipton have said that the manual adjustments that Mr H is referring to were carried out because there had been an increase in the Bank of England base rate during those months in question.

The Bank of England base rate over this period of time changed in the following way:

- 16 December 2021 0.25
- 3 February 2022 0.50
- 17 March 2022 0.75
- 5 May 2022 1.00
- 16 June 2022 1.25

Based on what Skipton have told us, they are correct in that the changes they made to Mr H's mortgage were in line with changes made to the Bank of England base rate.

However, Mr H feels that manual adjustments were made which were not correct so I've taken a look at the terms and conditions to see when these changes should have been made.

The original mortgage offer was dated 19 February 2008. I haven't seen anything that suggests these terms and conditions have changed over the years so in the absence of any such evidence, I'm satisfied that the terms of the offer made in February 2008 ought to be taken into account for these changes.

The terms of the mortgage offer dated 19 February 2008 has a section which outline the special conditions. One of those conditions (cond 1289) sets out how increases in the Bank of England base rate should be applied to the mortgage account. They say the following:

'When your loan reverts to a variable rate as detailed in section 4 of this Offer, the interest rate will change in line with the Bank of England (or its successors) base rate and this will be effective from the 1st of the month following the bank or its successors change and you will be notified in writing of your revised monthly payment.'

This confirms that any increases in the Bank of England base rate should only be applied from the first day of the month following the change. So taking into account the first change as an example, the change made to Mr H's mortgage on 16 December 2021 should only have taken effect from 1 January 2022.

Skipton appear to have made manual adjustments to Mr H's mortgage to change the increase in the Bank of England base rate from the exact date rather than from the following month. This is confirmed by the letters they sent Mr H which explained that his interest rate was changing on the same day as the changes to the Bank of England base rate, and that his monthly payment would change from the following month. These changes haven't been made in line with the terms and conditions.

Mr H has explained that he would like Skipton to write off all interest and charges as they have made an error. But this isn't something that we would ask Skipton to do. Our service considers complaints to ensure that a business has acted fairly and reasonably and if we find that they haven't – as I have here – we would direct a business to put a customer back in the position they would have been in had the error not occurred.

So in this situation, I expect Skipton to apply the changes it made to Mr H's mortgage in line with the terms and conditions. So any changes to Mr H's mortgage where there have been manual adjustments need to be re-worked and any changes to the Bank of England base rate must only take effect from the following month from that change. This needs to be done for any changes impacted by this error.

I also think that Skipton should pay Mr H £300 for the distress and inconvenience he has been caused. I appreciate that this has taken Mr H some time to sort out and the impact this has had on him needs to be recognised.

I have noted that Skipton have agreed to rework the mortgage account based on those changes and pay Mr H £300 – which I'm pleased to see.

Mr H may still be disappointed with my decision as I know he wanted our service to look at the other parts to his complaint which I have already issued a dismissal decision on. I have nothing further to add in relation to this.

My final decision

For the reasons given above, I direct Skipton Building Society to:

- Rework Mr H's mortgage account as detailed and explained above

- Pay Mr H £300 for the distress and inconvenience caused

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 14 February 2025.

Maria Drury
Ombudsman