

The complaint

Mr I has complained about how Clydesdale Bank Plc dealt with his application to change his buy-to-let ("BTL") mortgage account to a residential one and borrow extra funds. He's also unhappy with the way things were handled.

What happened

Mr I held an existing BTL mortgage with Clydesdale.

In 2022 Mr I applied to switch his BTL mortgage onto a new fixed rate, to take effect when the existing rate ended. The mortgage offer dated 7 February 2022 shows the new product was fixed at 2.99% until 31 March 2024, after which it would revert to the Offset Variable Investment Housing Loan rate, which was 5.10% at the time of the offer. This gave monthly payments of £307 in the fixed rate period and £522 (variable) thereafter.

In January 2024 Mr I spoke to Clydesdale as he wanted to change the mortgage from BTL to residential, borrow an extra £75,000 (£55,000 to pay for his weddings and £20,000 for home improvements), convert the mortgage from interest only to repayment and extend the mortgage term.

The advice call was carried out on 18 January and the valuation of the property was carried out the following day. The valuation report said the property didn't meet Clydesdale's lending criteria at that time.

Mr I was told his application was declined, with further calls following that to discuss the outcome. There was a discussion about a potential switch to residential, with no extra borrowing, but on 6 February Mr I was told that wasn't possible.

Unhappy with what had happened, and how he'd been treated on some of the calls, Mr I raised a complaint with Clydesdale.

It responded to the complaint on 18 February 2024. It didn't uphold the complaint about the lending decision and said that whilst things were heated in a call on 1 February, it felt Mr I contributed to that with his insistence on not accepting the lending decision outcome. It said it doesn't have to provide a copy of the valuation report, and the fact the property had previously been accepted for lending doesn't mean the previous valuation report could be used instead. However, it did say it shouldn't have later discussed a possibility of moving the mortgage to being on a residential basis (with no extra lending) as that was never a possibility. For unfairly raising Mr I's expectations Clydesdale apologised and paid £100 compensation.

On 1 April 2024 Mr I's mortgage moved to the reversionary variable rate which was 9.99% at the time, this increased his payment to £1,025 (variable) a month.

Our Investigator said Clydesdale's decision not to offer a residential mortgage was reasonable, but the service it provided when reaching that decision was poor. She recommended Clydesdale increase its offer of compensation from £100 to £250.

Clydesdale accepted our Investigator's findings. Mr I said he wanted £1,000 compensation.

Our Investigator explained why she felt £250 compensation was fair and because Mr I didn't agree the case was referred for an Ombudsman 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.

I trust Mr I won't take it as a discourtesy that I've condensed this complaint in the way that I have. Although I've read and considered the whole file I'll keep my comments to what I think is relevant. If I don't comment on any specific point it's not because I've not considered it but because I don't think I need to comment on it in order to reach the right outcome.

Clydesdale doesn't have the expertise to value property, so it employs the services of a surveyor. When doing so, it's obliged to instruct a suitably qualified surveyor – a requirement that was fulfilled in this case by appointing a member of the Royal Institution of Chartered Surveyors. Clydesdale's not accountable for any act (or omission) by the surveyor or the firm they work for. That means I can't consider the contents of the valuation report (that is, whether it is accurate or not).

Clydesdale is in our jurisdiction, but only for things it did (or didn't do); we can't consider complaints against it for things a separate business did (or didn't do). All I can consider against Clydesdale is if it discharged its duty in instructing a suitable firm of surveyors and having considered everything I'm satisfied it did.

The surveyor highlighted some significant risks to lending any further money secured against the property and didn't recommend the property as suitable security for the application that had been made. I can't comment on the contents of any earlier valuation as the complaint that was made isn't that any earlier valuation may have been wrong. All I can consider is what happened in this 2024 application. For that I'm satisfied the valuation report highlighted that the property didn't meet Clydesdale's lending policy at the time in question and so it couldn't be recommended as suitable security for the proposed loan.

I understand Clydesdale mentioned the possibility of transferring the mortgage from BTL to residential, without any additional borrowing, but it shouldn't have done that as it also fell outside its lending policy. I acknowledge that might seem unusual as Clydesdale already had the risk of this mortgage on its books, albeit on a BTL basis. But there are different lending requirements for BTL mortgages and residential mortgages, and there is no requirement on Clydesdale to allow such a change.

Mr I has said he is a prisoner as his payments have gone up and he's not allowed to move into the property, but this isn't a case where he is trapped living in an unsuitable property that he is unable to sell. From what Mr I has said he can sell the property (albeit for less than he would want) and, if he is part of a remediation scheme as he has said, he could look into remortgaging with another lender onto a residential basis. Mr I could also either look into the possibility of a remortgage on a BTL basis with another lender or take another preferential BTL interest rate product with Clydesdale.

Having considered everything very carefully I'm satisfied Clydesdale didn't act unreasonably when it said it was unable to make any changes to Mr I's mortgage account, other than him taking a new preferential interest rate product from the current BTL range. If Mr I would like a new preferential interest rate with Clydesdale from its BTL range then he will need to contact Clydesdale directly to request that. But as I don't uphold this part of the complaint I can't

make any award for the financial loss he says he's incurring, or for any distress and inconvenience he has been caused due to that financial loss.

Mr I's interest rate (and therefore monthly payments) was always going to increase from April 2024 as the mortgage market had changed significantly since he took out his last preferential rate product at the beginning of 2022.

In January 2022 Bank of England base rate ("base rate") was 0.25%, increasing to 0.50% on 3 February 2022 and at that time Mr I obtained a rate fixed at 2.99%. Whereas in January 2024 base rate was 5.25% and I understand Clydesdale offered a BTL two-year fixed rate (for borrowing under 60% loan to value) of 6.39%.

I've listened to the calls between Mr I and Clydesdale and it is clear things became heated in some of those. Whilst that wasn't entirely Clydesdale's fault, I agree with our Investigator that some of the calls could have been handled better, with the call handler being more supportive and empathetic.

The valuation that was undertaken was for mortgage purposes only. Mr I mentioned in the call of 1 February that he needed to know what issues had been raised about the property, but if he wanted to know that he would need to instruct his own independent survey. The valuation that was carried out was purely to allow Clydesdale to know whether it was suitable security for the application that had been made. So I don't think Clydesdale did anything wrong in not providing a copy of the mortgage valuation to Mr I and also not discussing it in any more detail than was given in the calls.

There would also have been no benefit to Mr I being passed to another member of staff as they could only have repeated the information Mr I had already been given. Clydesdale gave Mr I the option to have another appointment booked to discuss a new rate on a residential basis (with no additional lending), and that was the only option it had. A call was booked for 8 February to arrange a new interest rate product on a residential basis. It was also arranged that a manager would call Mr I back.

The manager called Mr I the following day and reiterated what he had been told, that is he couldn't have any additional borrowing but could take a new rate on a residential basis.

Unfortunately that information was wrong, and Clydesdale was only willing to allow a new rate on a BTL basis, it wouldn't agree to transfer it to being a residential mortgage. Due to a misunderstanding within Clydesdale the appointment booked for 8 February was cancelled without Mr I being informed or an alternative being arranged (to instead discuss BTL products). That was because the adviser in question could only discuss residential mortgages, he didn't deal with BTL mortgages.

When the adviser spoke to Mr I later that day he explained he couldn't deal with BTL mortgages and there was a discussion about whether Mr I could apply online for a new BTL rate. He also gave the option to book an appointment in with a BTL adviser. Mr I said he didn't need any help as he could just do what he did previously when taking a new rate, and the call ended.

Clydesdale has accepted it got things wrong when it told Mr I he could transfer to a residential product. It has also accepted our Investigator's findings that some of the calls could have been handled in a more empathetic way. It has agreed to pay £250 compensation (£100 of which has already been paid). So all I need to decide is if that level of compensation is fair, or if something more needs to be done to put things right.

In the phone calls on 1 and 2 February Clydesdale misled Mr I into thinking he could get a

new residential mortgage (albeit without any additional lending) rather than having to remain on a BTL mortgage. This is what we call a misrepresentation.

When we're looking at complaints about misrepresentation we consider the appropriate remedy is to place the consumer in the position they would be in if the incorrect information hadn't been given. We don't put them in the position they would be in if the misinformation had been correct (that is, Mr I could change his mortgage to a residential one). The misinformation was corrected a week later when Mr I was told he would need to remain on a BTL mortgage.

If nothing had gone wrong then Mr I would have been given the correct information on the phone on 1 and 2 February and he would have been in the same situation he was when he found out the correct information a week later. He could never have been in the position where he could change his mortgage to a residential one.

For that reason, there are no grounds for me to order Clydesdale to do anything further in respect of this issue other than paying compensation for the loss of expectation and inconvenience caused.

As I've already said, I agree with our Investigator that some of the calls could have been handled better.

Clydesdale has agreed to pay £250 compensation for the distress and inconvenience caused to Mr I in this matter. Whilst I acknowledge how frustrating it is when a business makes a mistake, mistakes do happen. In this case it was simple human error that meant Mr I was given incorrect information, but that information was corrected a week later. And whilst some of the calls could have been handled better, I think they may still have become heated as Mr I wasn't happy with the information he was being given. Having considered everything very carefully – including our normal level of award and what we've awarded for other similar issues – I'm satisfied that is a fair level of compensation.

Mr I has said he wants £1,000 compensation and also mentioned the ongoing financial loss and stress he is suffering. But I didn't uphold the complaint about the issue which he says has caused him the financial loss and stress, the only part of the complaint I am upholding is that Mr I was misled – for the period of one week – into thinking that he could transfer his mortgage from BTL to residential, and that some of the calls could have been handled better.

Transferring to a residential mortgage was never a position he could actually be in, so I can't take into account any loss or distress not being in that position may cause. I can only consider the fact Mr I had his expectations raised for a week and that the calls weren't handled as well as they could have been.

Having considered everything very carefully I'm satisfied £250 is fair compensation.

My final decision

I uphold this complaint and order Clydesdale Bank Plc to pay £250 compensation (less any amounts already paid).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or reject my decision before 15 July 2025.

Julia Meadows
Ombudsman