

## **The complaint**

E complains that OneSavings Bank Plc trading as Kent Reliance overcharged interest on its mortgages. E is represented by its director Mr S. He's also unhappy about how it dealt with his concerns.

## **What happened**

Mr S is a director of a limited company I'll call E. He has three buy to let mortgages with Kent Reliance, one in his own name and two in the name of his company E. Mr S brings the same complaint about all three mortgages. But because Mr S and E are separate entities, and each has their own mortgages, that means they are separate complainants with separate complaints. In this decision I'm addressing E's complaint about its mortgages. I'll deal with Mr S's complaint about his mortgage separately.

All three mortgages are on interest rates that track the Bank of England base rate. On 1 August 2024 the Bank of England announced a reduction in base rate of 0.25%. This meant that the interest rate on E's mortgages would reduce by the same amount.

On 9 August 2024, Kent Reliance wrote to Mr S to say that as a result of the change in base rate, the interest rate on E's mortgages had reduced with effect from 8 August 2024. The monthly payments would change accordingly, with effect from the payments to be collected on 28 September.

Mr S complained on behalf of E. He said that the reduction in the interest rate should have been implemented when base rate changed, not eight days later.

Kent Reliance upheld his complaint. It considered it alongside similar complaints about Mr S's own mortgage and offered £200 compensation in total across all three. But when the complaint came to us, it said it had made an error in upholding the complaint and didn't think it had in fact done anything wrong at all. But it would honour the offer of £200 compensation which had by then been paid.

Our investigator didn't agree. He said that Kent Reliance ought to have changed the interest rate from 1 August not 8 August. He said that Kent Reliance should pay Mr S £200 compensation and separately pay E £200 compensation. Kent Reliance agreed with that, but Mr S didn't. He said he wanted the additional interest refunded to him not used to reduce the balance. And he didn't think £200 compensation for each complaint adequately reflected the distress and inconvenience he'd been caused in the way Kent Reliance had handled his concerns.

## **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've considered the terms and conditions of E's mortgages. They are on a variable rate that tracks the Bank of England base rate. The relevant term says:

If the Interest Rate is linked to the Bank of England Base Rate or LIBOR it will change automatically to reflect any change in the Bank of England Base Rate or LIBOR and will take effect on the day of such change (if the Interest Rate is linked to the Bank of England Base Rate) or on the first Business Day after the LIBOR Setting Date (if the Interest Rate is linked to LIBOR) or on such other date as set out in the Offer. We will give you notice of any change in the Bank of England Base Rate or LIBOR within a reasonable time after that change.

The mortgage offers do not contain “such other date”. Therefore, applying the terms and conditions, the interest rate on E’s mortgages ought to have changed on 1 August – not 8 August.

There is a separate term about the monthly payment. It says:

We may change the Monthly Payment you make by giving at least 14 days’ notice to you in advance:

- a. If there is a change in the Interest Rate. Any notice we give you will state when the change in the Interest Rate will, or did, come into force;

Base rate changed on 1 August. The rate change letters were sent on 9 August. So it would have been possible for Kent Reliance to have changed the monthly payments on E’s mortgages to be collected on 28 August, as that was more than 14 days away. But I don’t think it’s unreasonable that it didn’t. It would have many mortgages with different collection dates throughout the month. It’s administratively more simple to change all monthly payments for September, rather than change some in August and some in September. This is compatible with the terms and conditions, which don’t require the monthly payment to be changed within a particular timescale, as long as at least 14 days’ notice is given – which, in this case, it was.

What this means is that Kent Reliance ought to have changed the interest rate on 1 August, not 8 August, followed by a change to the monthly payments in September. That means that, because the interest rate had reduced, the monthly payment to be collected in August would always be higher than the interest charged that month. The excess would be used to reduce the mortgage balance slightly.

But because Kent Reliance didn’t change the interest rate until 8 August, it charged more interest than it ought to have done for the period between 1 and 8 August.

### **Putting things right**

Kent Reliance should rework the mortgages to remove that extra interest – so that it is as if the interest rate had changed on 1 August. I don’t agree that it should refund the additional interest to E. If nothing had gone wrong, E would have overpaid by slightly more in August, and the excess would have been used to reduce the balance – not refunded to E. In any case it’s a trivial sum, around £5 on each mortgage.

E also complains about how Kent Reliance dealt with its concerns. As our investigator explained, complaint handling isn’t a regulated activity in its own right so not something we can consider a complaint about in isolation. But I have taken into account Mr S’s interactions with Kent Reliance as part of managing E’s mortgages.

I can see he was upset at being given the wrong information in the rate change letter, and this led him to make a complaint. He then didn’t agree with the outcome of the complaint and spent more time trying to discuss it with Kent Reliance and reach a different outcome. But by

then Kent Reliance had sent him its final response. That explained that Mr S could contact the Financial Ombudsman Service if he didn't agree, and it was his choice to keep contacting Kent Reliance instead. I appreciate that we have now reached a different outcome to that reached by Kent Reliance. But that's not a reason to require Kent Reliance to pay increased compensation for Mr S's time spent trying to persuade it to change the outcome. He had the option of coming to the Financial Ombudsman Service if he was unhappy. He has now done so, and we have upheld the complaint. In any case, it's important to bear in mind that Mr S is not the complainant in this case, E is. As a limited company, E cannot be distressed – though it can be inconvenienced. I agree that £200 is fair in all the circumstances to reflect the inconvenience E was put to.

### **My final decision**

My final decision is that OneSavings Bank Plc trading as Kent Reliance should:

- Rework E's mortgages as if the interest rate had been changed from 1 August 2024 not 8 August 2024; and
- Increase its offer of compensation to £200 (separate to any compensation paid in respect of Mr S's complaint).

Under the rules of the Financial Ombudsman Service, I'm required to ask E to accept or reject my decision before 23 April 2025.

Simon Pugh  
**Ombudsman**