

The complaint

Mr and Mrs M complain about changes to the overpayment allowance on their mortgage with Bank of Scotland plc trading as Halifax.

What happened

Mr and Mrs M had a residential mortgage with another lender that was transferred to Halifax in 2020. The original mortgage terms remained in place at that time, which included a 20% overpayment allowance.

In 2022, Mr and Mrs M took out a new five-year fixed rate product with Halifax. They've said their intention was to continue making monthly overpayments up to the 20% allowance in order to repay their mortgage in full by the end of the fixed rate term, without incurring an Early Repayment Charge (ERC).

In response to a complaint about monthly repayments in 2023, Halifax told Mr and Mrs M that under the new fixed rate product terms, there was only a 10% overpayment allowance. Halifax revisited this shortly afterwards and confirmed Mr and Mrs M would still have a 20% overpayment allowance in place in line with the previous terms of their mortgage.

In August 2024, Halifax wrote to Mr and Mrs M to tell them their monthly repayment was being reduced. Mr and Mrs M tried to have the repayment amount reverted to their overpayment amount, but Halifax told them this would take them over the 10% overpayment allowance.

Mr and Mrs M raised a further complaint. Halifax said it had previously given incorrect information and Mr and Mrs M's overpayment allowance had changed to 10% with the Halifax fixed rate terms. It offered £150 for the incorrect information given previously and said a 20% overpayment allowance would remain in place until the end of 2024, before changing to 10%. It said the call from when Mr and Mrs M took out the fixed rate wasn't available, but the documentation from the time showed they agreed to the new overpayment allowance.

Mr and Mrs M didn't agree so referred the complaint to our Service. Halifax made an offer to leave the 20% overpayment allowance in place until the mortgage was repaid, as long as no new changes to the mortgage were completed before then. Mr and Mrs M declined the offer. They felt further compensation was due for the distress they'd been through. Our Investigator thought Halifax's offer to leave the 20% overpayment allowance in place was fair, but he thought it should pay Mr and Mrs M £300 for the distress they had been caused, especially considering the impact on Mrs M's health.

Mr and Mrs M didn't agree. They said this was a continuation of the 2023 complaint and due to the length of time it had been ongoing and impact on Mrs M's health, the compensation should be higher than £300. They said they had been mis-sold the Halifax fixed rate as they thought they could repay the mortgage in five years with the overpayment allowance.

The complaint has been passed to me for a final decision. I have already issued a decision on which parts of this complaint we can consider. I will now go on to consider the merits of the complaint about the overpayment allowance and the information given by Halifax when Mr and Mrs M took out the fixed rate.

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.

There's no dispute that Halifax has made errors here. It has given inconsistent and incorrect information to Mr and Mrs M about how much they can overpay on their mortgage without incurring an ERC.

This is clearly very important to Mr and Mrs M. Mr and Mrs M have said they want to repay their mortgage around the same time their five-year fixed rate ends. They've said Halifax told them when fixing the new rate, they could continue to make the overpayments of up to 20% of the mortgage balance each year to do this.

The call from the time the new fixed rate was taken out is unfortunately corrupted, so I've been unable to listen to what was discussed. But I have no reason to doubt that keeping the 20% overpayment allowance was an important factor when Mr and Mrs M took out the fixed rate product with Halifax in 2022.

Mr and Mrs M have consistently utilised the overpayment allowance by making monthly overpayments of £1,300 since before the product transfer took place. They have continued to do this up until late 2024 when these issues arose with Halifax letting them know the overpayment allowance was different with the new product. So, I think it's clear Mr and Mrs M were of the understanding they could make overpayments of up to 20% of the mortgage balance when they took out the fixed rate.

Halifax has now agreed to honour the 20% overpayment allowance until the mortgage is repaid, unless there are any changes made to the mortgage, at which point it would move to Halifax's terms of a 10% overpayment allowance. I agree that this is a fair resolution to Mr and Mrs M's complaint. Our Investigator has said Halifax should allow Mr and Mrs M to retrospectively utilise any of the remaining overpayment allowance for late 2024 and early 2025 while their complaint was ongoing. I agree that this is a fair and reasonable. This returns Mr and Mrs M to the position they would have been in if they had been able to consistently overpay their mortgage by 20% as they thought they could when they fixed the new rate.

It's clear that Halifax hasn't treated Mr and Mrs M fairly by giving them inconsistent and incorrect information about this. It has caused Mr and Mrs M a considerable degree of worry and upset, so it's only fair that Halifax compensates them for that.

I understand Mrs M is unhappy with the £300 recommended by our Investigator as she doesn't think it fairly represents the duration of this complaint since 2023, or the impact it's had on her health. I thank Mrs M for sharing details of her health and the difficult time she has been having. And I'm sorry to disappoint her, but I agree £300 represents a fair and reasonable way to put things right.

Mr and Mrs M understood they had a 20% overpayment allowance up until late 2023 when Halifax told them this wasn't the case. It then changed its position a week later. Halifax paid Mr and Mrs M £150 for the impact of this incorrect information over that week. Mr and Mrs M then continued to think they had a 20% overpayment allowance until late August 2024, when

Halifax offered to keep the allowance in place until the end of the year. Halifax then offered in early October 2024 to keep the 20% allowance in place until the mortgage was repaid.

So, there were around six weeks where Mr and Mrs M had the worry and distress of thinking their mortgage overpayments would be limited to 10% from 2025, and that this would mean their mortgage wouldn't be repaid when they thought it would. I understand this stress exacerbated Mrs M's health condition and meant she needed to increase her medication. I'm sorry to learn of the impact this had on her. But I agree with our Investigator that the award of £300 is fair and reasonable, and in line with what I'd expect for an error of this nature where considerable distress and inconvenience has been caused over a number of weeks.

My final decision

I uphold this complaint and direct Bank of Scotland plc trading as Halifax to pay Mr and Mrs M £300.

It should honour the 20% overpayment allowance on the mortgage until it is repaid, unless any qualifying changes are made to the mortgage before that.

It should allow Mr and Mrs M to utilise the 20% overpayment allowance retrospectively for late 2024 and early 2025. It should rework the account, so any payments Mr and Mrs M make in this regard are treated as though they had been received at that time.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs M to accept or reject my decision before 21 April 2025.

Emma Taskas
Ombudsman