

The complaint

Mr H complains that Paragon Bank Plc didn't cancel an upcoming fixed interest rate on his Buy To Let mortgage in early 2024. Mr H said he felt he'd given a clear instruction to cancel, which Paragon should have acted on.

What happened

Mr H said he'd taken out a new fixed interest deal on his Buy To Let ("BTL") mortgage with Paragon in late 2023. But in January 2024 he said he'd rung Paragon, and told it his situation had changed. He was going to be selling the property, and didn't want to get tied in to a mortgage offer. But Mr H said that Paragon did then tie him into this new product.

Mr H said that he'd called to cancel the provisionally booked rate on 15 January 2024, and he thought his rate should have been cancelled following this call. He'd requested the call recording, from when he spoke to Paragon, and he clearly said he didn't want to get tied into a new deal. Mr H said he was then offered a lower rate, so if he hadn't wanted to cancel, he would have called again to take out that lower rate that Paragon was offering at the time.

Mr H isn't now selling the property, rather he has the offer of a new deal with a different lender. He didn't think Paragon should be able to charge him an Early Repayment Charge now, on a deal he said he tried to cancel before it was applied to his mortgage.

Paragon said it too had listened to the call Mr H had with it on 15 January 2024, and it didn't agree. It said Mr H had asked a number of questions on that call, so he could go away and weigh up his options.

Paragon said it had explained to Mr H on the call that there was no cancellation fee at the time, and he had until the end of January to decide what he wanted to do. The agent promised to email Mr H if new rates became available, and the agent did then email Mr H with lower rates a couple of days later. But Mr H never got back in touch, so Paragon honoured the product switch Mr H had previously booked in August 2023.

Paragon said Mr H had been benefitting from the reduced payments ever since February 2024. But late in 2024, he said he wanted to move his mortgage elsewhere.

Paragon said Mr H was clearly considering his options when he spoke to it in January, but gave no indication that he'd reached a decision, and didn't ask it to cancel the booked product switch. Paragon didn't think it had done anything wrong, and it wouldn't waive the Early Repayment Charge ("ERC") on Mr H's mortgage now.

Our investigator didn't think this complaint should be upheld. He said, having listened to the call recording from January, he also thought that Mr H was considering his options then, and there was no clear instruction to cancel the product. Our investigator said the enquiries Mr H was making weren't consistent with him having reached a clear decision to cancel then.

Our investigator said he didn't think Paragon had to waive the ERC now.

Mr H wrote to disagree. He said that he didn't have experience of cancelling a mortgage, and didn't know exactly what to say. He asked if there were particular terms or words he should have used. He said the agent never asked if he wanted to cancel the upcoming fixed rate deal, he thought that was because he was being misled into staying with Paragon. And he said it didn't make sense for him to continue with his existing deal when he'd been offered a cheaper alternative.

Because no agreement was reached, this case then came to me for a final decision.

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 reached the same overall conclusion on this complaint as our investigator.

Before reaching this decision, I listened carefully and repeatedly to the call Mr H had with Paragon on 15 January. Mr H's case is that he gave a clear instruction to cancel his upcoming fixed interest rate on that call, so the fixed interest rate deal he'd already requested should not then have been put in place, and he shouldn't have to pay an ERC to move his mortgage now.

I can hear at the start of the call, Mr H did, as he's pointed out, say *"I don't want to tie myself into a new product"*. Mr H has pointed to this, as an instruction to cancel the upcoming deal. But I think that comment has to be put into context. Immediately before that, Mr H said *"I'm going to consider putting it on the market"* which does suggest Mr H was thinking about what to do. And immediately afterwards, Mr H said *" basically I want to know the costs to cancel the current product and what rates it will fall on until my property is sold."*

The agent gave Mr H this information, and Mr H asked if he would be tied into to paying an ERC, if he did carry on with the new product. The agent confirmed he would, and worked out about how much this would be for Mr H.

Mr H then asked about any new rates Paragon might have. The agent said there weren't any at the time, but offered to review this for him in a week or so. In response to that, Mr H said *"...yeah, if you wouldn't mind, because that might make the decision of me keeping hold of the property or not. I'd appreciate that if you could."* That's not consistent with what Mr H says now, about having made a definite decision not to go ahead with the fixed interest rate he'd already booked, and about having expressed this wish to the agent on this call.

The agent then went on to say Mr H could cancel the deal at any time up until the end of January. Again, I think if Mr H had wanted to cancel on this call, or had intended to do so, then it's likely he would have said so then. But he didn't, he asked about a possible payment break while he sold the property, which the agent said he couldn't offer Mr H. The call then ended with the agent promising further contact, which I understand Mr H received but didn't action.

Having listened carefully to this call, I don't think Mr H did ask Paragon to cancel the deal which he'd previously agreed should be applied to his BTL mortgage at the end of that month. So I don't think Paragon did anything wrong when it then applied this deal. And I can see that the ERC is clearly set out in the documentation Mr H previously received for this deal. So I don't think Paragon has to waive that now.

I understand that Mr H will be disappointed, but I don't think this complaint should be upheld.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 5 May 2025.

Esther Absalom-Gough
Ombudsman