

The complaint

Mr and Mrs G's complaint is about a mortgage they have with Bank of Scotland plc trading as Halifax. They have told us they think the charges applied to their mortgage when they were having financial difficulties were excessive and they are unhappy that interest has been charged on the fees balance since that time.

In settlement of the complaint, Mr and Mrs G would like Halifax to reverse the fees and interest that have been charged.

What happened

Mr and Mrs G's mortgage with Halifax started in June 2004. Within a few months Mr and Mrs G experienced difficulties making their monthly payments. This meant the mortgage went into arrears and fees for managing that situation and legal action were added to the account between October 2004 and February 2013. Later in 2013, after Mr and Mrs G had maintained the monthly payments plus £10 towards the arrears for a period, the arrears, fees and charges balances were capitalised onto the mortgage as a sub-account. Payments were maintained thereafter.

Mr and Mrs G complained to Halifax about the fees, charges and interest that had been applied to their mortgage due to their financial difficulties, along with the format of the mortgage – there being two sub-accounts - in 2016, 2019 and 2024. Halifax rejected the complaint in 2016 and 2019. However, it said in 2016 that as it no longer charged some fees that had historically been applied to the mortgage, it was refunding those charges and the interest that had accrued on them. This meant that it reduced the mortgage balance by just under £3,000. Further arrears fees were reversed in 2018. In 2024 Halifax said that it would not be responding to the complaint as the matter was time-barred due to the amount of time that had passed since the events complained about.

Mr and Mrs G were not satisfied with the response in 2024 and referred the complaint to this Service.

One of our Investigators reviewed the complaint. She concluded that we could consider the complaint about Halifax's actions when Mr and Mrs G were in financial difficulties and whether this created an unfair relationship that Halifax needed to do something to remedy. She was not persuaded that an unfair relationship had been created, but even if it had been, Halifax had already, in 2016 and 2018, refunded charges that had been applied, which would have remedied any unfairness. The Investigator also didn't consider that the management of the mortgage as two sub-accounts would be considered to have led to unfairness between Halifax and Mr and Mrs G.

Mr and Mrs G didn't accept the Investigator's conclusions. They said that they hadn't previously questioned interest being charged on the fees and charges – they said they felt it was ridiculous that a company could charge for missed payments and then charge again in the form of interest.

The Investigator provided a copy of the complaint response that had addressed the interest being charged on the sub-account that had been set up when the fees and charges had been capitalised onto the mortgage. Mr and Mrs G remained dissatisfied and asked that the complaint be referred to an Ombudsman for consideration.

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.

As the Investigator said, we can consider whether there is currently an unfair relationship between Mr and Mrs G and Halifax - taking into account all matters relevant to the fairness of that relationship, whenever they occurred.

I have, therefore, considered whether the relationship between Halifax and Mr and Mrs G is unfair due to the administration of the account while they were in financial difficulties. Unfortunately, due to the amount of time that has passed since the fees and charges were applied to the mortgage, the information available is limited. However, the fees and charges that were applied to the mortgage between 2004 and 2013 appear to have been associated with the arrears situation – additional administrative charges and, later, legal costs that were incurred when Halifax decided to take legal action. The mortgage conditions allow Halifax to apply charges and pass on legal fees in these circumstances, and to apply interest to the total amount outstanding on the mortgage. As the contract that Mr and Mrs G signed up to allowed Halifax to do what it did and, generally, I don't think it administering the mortgage in line with those conditions created an unfair relationship.

However, Halifax refunded/reversed some charges and removed the interest that had accrued on them. The initial refund was explained as a refund of charges that Halifax had since decided not to apply. We have no further information about what these charges were, or why Halifax had stopped applying them at some point. In 2016 and 2018 Halifax refunded some of the fees it had charged. If adding those fees was unfair, then Halifax put right the unfairness by refunding them. With the limited information now available because of the passage of time, I can't safely find that the fees that remain on the balance were unfair – or that them remaining on the balance now means that the relationship between Mr and Mrs G and Halifax is currently unfair as a result of those fees. As such, I can't ask it to do anything more in this respect.

If Mr and Mrs G had been unhappy with this, or the fact that not all the charges and associated interest had been refunded, they had the opportunity to raise the issue with this Service following their 2019 complaint, but they chose not to do so. As such, I don't consider that it would be appropriate to ask Halifax to do anything more at this point.

In relation to the structure of the mortgage – that there are two sub-accounts – this is quite a common way of administering a mortgage. There is nothing in a lender doing so that disadvantages a borrower and so it would not make the relationship between lender and borrower unfair.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr and Mrs G to accept or reject my decision before 21 August 2025.

Derry Baxter
Ombudsman