

The complaint

Mr and Mrs R have complained about the service they were provided with by Clydesdale Bank Plc when the mortgage term was coming to an end on their buy-to-let ("BTL") mortgage.

What happened

Mr and Mrs R have held this BTL mortgage with Clydesdale since 2011. Over the years they've held it on preferential interest rate products, taking out a new product each time the previous one ended.

The most recent product change mortgage offer was issued on 21 January 2021, and that said that Clydesdale hadn't given advice about the suitability of the product. It set out that the outstanding mortgage balance was around £217,100 and it was held on an interest only basis with a remaining term of two years and four months. The interest rate was noted to be fixed at 2.99% until 31 March 2023, after which it would revert to Clydesdale's Offset Variable Investment Housing Loan rate, which was 4.95% at the time of the mortgage offer.

Mr R contacted Clydesdale in November 2022. He said they wouldn't be in a position to repay the mortgage at the end of the term due to cladding on the property, which meant they were unable to either sell or remortgage it at that time. Mr R indicated that he hoped the cladding remedial work would be completed in February 2023, and it was agreed that he would call back in January 2023.

There was a further call on 24 January in which Mr R told Clydesdale that the cladding remedial works were still ongoing, and he didn't know when they would be finished. Clydesdale agreed to apply forbearance on the account – what that meant is at the centre of this dispute.

Further calls took place, and then on 28 March 2023 Clydesdale wrote to Mr and Mrs R to say their mortgage term had ended on 15 January 2023.

On 15 April 2023 Clydesdale wrote to Mr and Mrs R to say their interest rate had been changed to 8.74% with effect from that day. It said the new monthly payment from 15 May would be around £1,590 a month. A further letter was sent to Mr and Mrs R on 15 June 2023 to say their interest rate had been changed to 9.24% with effect from that day. It said the new monthly payment from 15 July would be around £1,690 a month. I understand there were further increases in July and September 2023.

Mr and Mrs R continued to make payments of around £540 a month - the amount they'd been paying on the 2.99% fixed rate – until October 2023 when they increased their payments to around £1,860 a month.

The mortgage was repaid on 11 January 2024 with Mr and Mrs R remortgaging to another lender.

In the meantime Mr and Mrs R raised a complaint with Clydesdale about what had happened and the service they'd received. Clydesdale responded to the complaint on 9 August 2023. It said:

- The mortgage was running in line with the 2021 mortgage offer as the 2.99% fixed rate ended on 31 March 2023. It said the rate couldn't continue past that date.
- In November 2022 Mr R said he hoped the cladding remedial work would be completed by February 2023.
- In the call on 24 January 2023 Mr R advised he was uncertain exactly when the cladding remedial work would be completed, but the call handler didn't then check when the fixed rate would end. Clydesdale upheld this complaint point, apologised and offered £200 compensation for the distress and inconvenience caused.
- It also upheld a point that on that call Mr R was placed on hold and the call ended. Clydesdale said the call handler should have made clear to Mr R what they were doing. Clydesdale said it had given feedback to the call handler on that point.
- A complaint should have been raised on 2 May 2023 but due to a staff oversight that didn't happen. It apologised for the error and said it had upheld that complaint point, with feedback being given to the staff member.
- Whilst the mortgage was in arrears due to the higher payment due, it had no impact on Mr and Mrs R's credit file.

After some further correspondence between the parties, Mr and Mrs R referred the complaint to us where it was looked at by one of our Investigators.

Our Investigator said that in his opinion Clydesdale, in the call on 24 January, agreed to continue to charge the 2.99% interest rate product until the cladding issue was resolved. He said to put things right Clydesdale should provide a refund to Mr and Mrs R based on the interest they were charged against the interest they would have paid at 2.99% between 15 April 2023 and 11 January 2024.

Clydesdale didn't agree and so the case was passed to me to decide.

What I've decided – and why

I issued a provisional decision in February 2025, the findings of which said:

'I trust Mr and Mrs R won't take it as a discourtesy that I've condensed their complaint in the way that I have. Ours is an informal dispute resolution service, and I've concentrated on what I consider to be the crux of the complaint.

Before I go any further I have noticed a discrepancy in Clydesdale's paperwork which, whilst it doesn't impact the outcome of this complaint, I feel it worth pointing out. Clydesdale said the mortgage term ended on 15 January 2023, but the mortgage offer that was issued on 21 January 2021 said the remaining term of the mortgage was two years and four months (both in the covering letter and in the offer mortgage illustration) – therefore the mortgage term shouldn't have ended until the end of May 2023. That slightly longer term may not have been what the parties intended, but that was the contract Clydesdale issued in January 2021 that Mr and Mrs R agreed to enter into.

In terms of this complaint it doesn't alter things whether the term should have ended in

January or May 2023 as Mr and Mrs R weren't in a position to repay it by either date due to the cladding remediation work that was being undertaken. Clydesdale allowed Mr and Mrs R time to find a way forward, and that is what I would expect to see. The issue is, on what terms was that extra time granted. Mr and Mrs R say it was agreed that the interest rate would continue at 2.99% until the mortgage was repaid, whereas Clydesdale says that wasn't possible and it was right to move the mortgage onto the reversionary rate from 1 April 2023.

I've listened very carefully to the calls that took place, and having done so I'm currently minded to uphold this complaint. But I don't agree with our Investigator in the way it should be redressed.

Having listened to the call of 24 January 2023 it is clear there was confusion. Clydesdale initially said Mr and Mrs R could just continue to pay the interest, which Mr R said they were happy to do.

Mr R then said "what I would like though is something in writing, just saying, you know the mortgage ended on this date and the new interest rate is this whilst we sort out the EWS1." So it seems from this that Mr R was aware the same interest rate wouldn't apply going forward, as he made specific mention to "the new interest rate".

Clydesdale said it could get a letter sent out for that if Mr and Mrs R were able to continue to at least cover the interest on the mortgage. There was then a conversation about the fact the payment was no longer being collected by direct debit due to the fact the term had ended. Clydesdale said that a standing order should be set up to make the payments, to which Mr R said he needed to know how much the interest rate is and what the monthly payment is if it has changed. Clydesdale let Mr R know what the interest was for that month.

After which there was the following conversation:

Mr R: And what interest rate are you proposing to charge going forward?

Clydesdale: It's on a 2.99.

Mr R: OK, so what you're saying is the interest rate will prevail until we've sorted this out?

Clydesdale: Yes, we can forbear with you until you have got the EWS1 form. And then if you can just give us an update each month as to how it's going, and then obviously like I say, we can forbear with you.

Mr R: OK, that's really helpful. Thank you for that. So I will reinstate well, I'll probably pay manually for this month the £551,81 and then I'll reinstate the standing order for February going forwards.

Clydesdale: Yeah. No, that's perfect. Like I say, if you could just give us an update each month and then we can keep forbearing with you until everything's resolved.

Clydesdale has accepted the call handler should have checked when the interest rate ended when having this conversation as, had they done so, they would have seen that whilst the current rate was 2.99% as they correctly said, that rate would end on 31 March 2023 at which time the mortgage would move to the reversionary variable rate.

So what I must decide is what needs to be done to put things right.

Our Investigator said that Clydesdale agreed to continue with the 2.99% interest rate and so he felt that should be what happened. But it isn't as straightforward as that.

The starting point here is the contract that Mr and Mrs R entered into, which was set out in the mortgage offer of 21 January 2021. That contract said that Mr and Mrs R's mortgage account would be charged on an interest rate of 2.99% until 31 March 2023, after which it would revert to Clydesdale's Offset Variable Investment Housing Loan rate, which was 4.95% at the time of the mortgage offer.

If Mr and Mrs R were led to believe their mortgage could continue to be charged at 2.99% after 31 March 2023 this is what we call a misrepresentation. When we're looking at complaints about misrepresentations, 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.

Mr and Mrs R could never have been in the position where their mortgage continued on an interest rate of 2.99% after 31 March 2023 as that wasn't the contract they entered into in 2021. That is the information they should have been given in the calls on 24 January and 3 March. It should have been clearly said that the forbearance was the Clydesdale would take no action on the overdue mortgage balance whilst the cladding remedial work was ongoing, and that they would need to continue to meet their interest payments in that time with the rate being 2.99% until 31 March 2023 and thereafter it would be charged at the reversionary rate.

The misrepresentation was put right on 2 May 2023 when Mr R called to query the letter he and Mrs R had received which said the interest rate was now 8.74%. I'm satisfied the calls of 24 January and 3 March didn't vary the underlying contract, rather the call handler simply didn't notice that the 2.99% rate would end on 31 March, and talk of forbearance was in relation to not calling in the debt, rather than a reduction in the interest rate post 31 March.

If Mr and Mrs R had been given the correct information in the call of 24 January (that the rate would be moving to the reversionary rate from 1 April) then it seems likely they would have taken similar action to that they did later in the year, when they remortgaged to another lender.

Mr and Mrs R were given the correct information on 2 May 2023 and the information we've received from their new lender shows they applied for their remortgage on 27 October 2023 (178 days after they were given the correct information) and it completed on 11 January 2024 (76 days after they applied).

I think it is more likely than not that the same timeframes would have applied if Mr and Mrs R had been given the correct information in the call of 24 January 2023. If that had happened, I think that Mr and Mrs R would have applied for their remortgage on 21 July 2023 (178 days after the phone call of 24 January 2023) and it would have completed on 5 October 2023 (76 days after the revised application date of 21 July 2023).

Having considered the information provided by Mr and Mrs R's new lender, whilst there were a few delays none of those were due to the cladding remedial work being incomplete (which it still was when the remortgage completed) and so I see no reason to believe that a successful application couldn't have been made on 21 July 2023, as the steps Mr and Mrs R took in October and November to achieve a successful application they could instead have taken in July and August.

Mr and Mrs R's new mortgage interest rate is fixed at 5.53% until 28 February 2026. If

Mr and Mrs R had applied on 21 July 2023 and completed on 5 October 2023 then their interest rate would have been instead fixed at 6.31% until 30 November 2025. That rate became available on 5 September 2023 and Mr and Mrs R could have switched their application onto it, much as they did with their actual application – switching from a 6.14% fixed rate to the 5.53% rate they obtained. Whilst the rate dropped again on 1 October I'm satisfied that would have been too late to switch the application onto it before completion on 5 October.

This would also have had an impact on Mr and Mrs R, both in the loss of expectation and the fact they were given misleading information and have had to complain to get things put right. Clydesdale offered £200 compensation and our Investigator felt that was a fair sum. Having considered this matter very carefully - including our normal level of award and what we've awarded for other similar issues – I'm minded to agree that £200 compensation is fair and reasonable for the distress and inconvenience caused to Mr and Mrs R.'

Both parties accepted my provisional findings, with Clydesdale saying it had undertaken a reconstruction in line with my proposed award and that showed Mr and Mrs R hadn't suffered a financial loss. It said for part A Mr and Mrs R's loss was around £2,217, but their gain in part B was around £3,451.

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

In the absence of any further submissions, and having reviewed the full file afresh, I see no reason to depart from the conclusions I reached in my provisional decision.

Whilst Clydesdale has said Mr and Mrs R haven't suffered a financial loss, I'm sure that is something Mr and Mrs R would like to see the calculation for and so I set out again my full award below. I would ask Clydesdale to send a copy of its calculation to Mr and Mrs R if they ask for it.

Putting things right

I uphold this complaint and direct Clydesdale to compare:

- A. Mr and Mrs R's actual mortgage interest charged between 5 October 2023 and 11 January 2024 on its reversionary rate, to the interest Mr and Mrs R would have been charged in that period on an interest rate fixed at 6.31%.
- B. How much interest Mr and Mrs R will be charged at their 5.53% fixed rate they hold with their new lender, to how much interest they will be charged had they instead taken out a 6.31% interest rate. This calculation should run from 12 January 2024 until 30 November 2025.*

*The calculation should be run until the earlier end date - here that is 30 November 2025 – as we don't know what rate Mr and Mrs R would be paying after that date had they remortgaged sooner.

The outcome should be calculated as A minus B. With A representing the loss incurred by Mr and Mrs R due to being on the higher reversionary rate and B representing the gain made by Mr and Mrs R due to them obtaining a better rate than they would have done had they remortgaged sooner.

If this shows Mr and Mrs R are in a better position overall, then they've not suffered a financial loss due to the misinformation as had nothing gone wrong, and they had

remortgaged earlier, then they would overall be in a worse position than they are.

If this shows Mr and Mrs R are in a worse position overall, then Clydesdale should pay the amount calculated as the overall loss (that is, A minus B) to Mr and Mrs R as a lump sum. Clydesdale should add interest of 8% simple a year on that lump sum from 11 January 2024 to the date of settlement† and pay this to Mr and Mrs R.

†HM Revenue & Customs requires Clydesdale to deduct tax from this interest. It should give Mr and Mrs R a certificate showing how much tax it's deducted, if they ask for one.

I also order Clydesdale to pay £200 compensation to Mr and Mrs R.

My final decision

I uphold the complaint and direct Clydesdale Bank Plc to resolve it as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R and Mrs R to accept or reject my decision before 4 April 2025.

Julia Meadows
Ombudsman