

The complaint

The complaint that has been made by the estate of Mrs D is that Bank of Scotland plc trading as Halifax failed to manage Mrs D's mortgage properly, and this meant that she continued to make payments after the end of the term, which caused her severe financial difficulties. The Executor has said that Mrs D had to borrow money on credit cards, at a high rate of interest, to make the payments.

What happened

Mrs R and her late husband took out a repayment mortgage with Halifax in 1965 over a term of 20 years. It was originally arranged on an endowment basis, but this was changed to a repayment basis in 1969 and the term extended to end in 1995. There are limited records about the mortgage, but it appears that Halifax made mistakes with the monthly payments it told Mrs R to pay. This meant that there was an outstanding balance on the account at the end of the term. Mrs R continued to make payments to the mortgage until her death in 2024.

Following Mrs R's death her Executor discovered the situation with the mortgage and raised a complaint. Halifax upheld the complaint as it acknowledged that it had made mistakes that had placed the mortgage in the position it was. It wrote off the remaining balance of the mortgage and offered a refund most of the payments made to the mortgage after the end of the term, plus interest. The exception being any benefit payments made before April 2018, as these were not paid by Mrs R and her estate will not need to repay those amounts to the Department of Work and Pensions (DWP). Payments made under the DWP support for mortgage interest (SMI) scheme thereafter were included in the refund, as those funds had to be repaid to the DWP by the estate. Halifax also offered Mrs R's estate £250 for the inconvenience Mrs R may have suffered.

The Executor was not satisfied with the offer made as Mrs R had struggled to make the payments to the mortgage and this had resulted in her taking out credit cards, which she couldn't afford and caused her further financial difficulties. The Executor also considered the amount of the compensation payment was insulting. The complaint was referred to this Service.

One of our Investigators considered the complaint, but he thought that Halifax's offer was appropriate in the circumstances.

The Executor did not accept the Investigator's conclusions. In relation to the compensation payment, he said that Mrs R's significant health issues and multiple other creditors meant that other matters were prioritised. Furthermore, he said that given Mrs R was having to borrow on sub-prime accounts charging 50-60% to fund the mortgage payments, the interest offered on the refunded payments was insufficient. The Executor also said that Mrs R had raised concerns with Halifax about the mortgage.

We asked both the Executor and Halifax for evidence of Mrs R having raised concerns about the mortgage. The Executor confirmed that he was not aware of a complaint being raised by Mrs R. He did, however, provide evidence from more recent years of Mrs R's unsecured

debts and her pension and pension credit income. Halifax also confirmed that it had no record of a complaint having been made by Mrs R.

The Investigator reconsidered the complaint in light of the Executor's further comments, but he didn't change his conclusions. He was not persuaded that it would be reasonable to ask Halifax to refund any additional amounts. The Investigator also explained that it was a requirement of all mortgage lenders that a property was insured. As such, he didn't consider it was inappropriate of Halifax to have added the insurance premiums to the balance of the mortgage as it did.

In relation to Mrs R having other priorities that meant she didn't complain about the mortgage, the Investigator highlighted that a mortgage would be considered a priority debt and so dealing with it should have been prioritised over dealing with unsecured debts. In addition, the Investigator noted that a lot of the payments made to the mortgage been received from the DWP as part of Mrs R's benefits package. As such, the Investigator was not persuaded that the debts the Executor had mentioned were likely to have been incurred because the mortgage still existed beyond 1995.

The Executor remained dissatisfied and asked that the complaint be referred to an Ombudsman.

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.

Halifax has acknowledged that things went wrong with its administration of Mrs R's mortgage and that this meant the mortgage was not repaid at the end of the term. As such, I don't need to consider whether Halifax was at fault, only what it needs to do to put things right.

Halifax has offered to refund all payments that Mrs R made herself to the mortgage following the end of the term, along with any paid by the DWP that her estate will have to repay. It appears that it has made this offer as its records are limited. I highlight this as, while there should have been no outstanding debt on the mortgage in 1995, Halifax continued to pay Mrs R's buildings insurance on her behalf up to 1999. Mrs R would always have had to pay for buildings insurance, so reasonably, Halifax had it wished to, could have deducted the cost of the insurance policy from the refund. It, however, has not and so I can only conclude this part of the offer is more than appropriate.

The Executor has questioned the interest that has been added to the payments. He has said that because Mrs R had to continue to pay the mortgage, this left her struggling financially and she had needed to put normal living expenses on credit cards at much higher rates of interest. If I were persuaded that Halifax's actions had placed Mrs R in the position where she had consequential losses, I could consider making an award for those losses. However, I would need to see evidence that showed a clear correlation between the amounts of money put on credit cards and the amounts Mrs R paid to her mortgage. The simple fact that Mrs R ran up the debts while the mortgage was in place, would not be sufficient to allow an award to be made.

I must also consider what Mrs R was paying to the mortgage. While there were periods that Mrs R was making some payments to the mortgage, for significant periods those payments were small as they were only topping up benefit payments. In addition, there were long periods when Mrs R was making no payments at all. These circumstances would not suggest that the continuing existence of the mortgage was the reason Mrs R ran up the credit card debts the Executor has given us evidence of.

As such, I am satisfied the interest rate that Halifax used in its redress calculation is appropriate in the circumstances.

The Executor has said that the compensation payment that Halifax has offered is inadequate and they compared the amount offered to that which they had been awarded in relation to the inconvenience they'd suffered in relation to an insurance claim. When we consider payments for upset and inconvenience, we based them on the evidence we have about the effect on the individual consumer of the issue complained about. The same type of situation will affect different people in different ways, so similar circumstances can result in significantly different amounts of compensation being awarded.

As I have said above, I am not persuaded the evidence indicates that the ongoing mortgage caused the financial difficulties the Executor has mentioned. In addition, it doesn't appear that Mrs R raised any concerns about the mortgage with Halifax, as would generally be expected if a borrower is finding it difficult to make their payments. I know that the Executor will not agree, but I am satisfied, based on the information I have from when Mrs R was dealing with her mortgage and other debts, that the £250 Halifax offered was appropriate and fair in the circumstances.

Overall, I consider the offer Halifax made to the estate of Mrs R was proportionate and fair in the circumstances. I, therefore, do not consider that it needs to do more to settle the complaint.

My final decision

Bank of Scotland plc trading as Halifax has already made an offer to settle the complaint and I am satisfied that offer is fair in all the circumstances. As such, my final decision is that Bank of Scotland plc trading as Halifax should pay Mrs D's estate the sums set out in its offer of 1 August 2024 in full and final settlement of this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask the estate of Mrs D to accept or reject my decision before 14 May 2025.

Derry Baxter
Ombudsman