

The complaint

Ms E and Mr V complain that an appointed representative of Sesame Limited made an error with a product switch for their mortgage. As a result they went onto their lender's standard variable rate (SVR) and paid a product fee when they re-mortgaged elsewhere.

What happened

Ms E and Mr V's interest rate product was due to expire on 31 May 2024. They contacted Sesame for advice in early 2024. Sesame recommended a 4.8% fixed interest rate product with their existing lender. Ms E and Mr V told Sesame they wanted to accept the product and asked Sesame to arrange this on their behalf.

In June 2024 Ms E noticed the direct debit payment for their mortgage was higher than expected. Their mortgage had gone onto their lender's SVR. The product switch had been cancelled. The product Ms E and Mr V had wanted was no longer available and the lender's product interest rates had increased.

Ms E and Mr V contacted Sesame, which arranged a re-mortgage with a new lender. The new mortgage has a £999 product fee and a higher interest rate (4.81%) than the product they'd chosen. Ms E and Mr V paid additional interest while on their lender's SVR.

I sent a provisional decision to the parties explaining why I intended to uphold this complaint and order Sesame to pay compensation. In summary, I said Sesame had made an error and missed opportunities to put this right. I said Sesame should compensate Ms E and Mr V for the product fee, being on their lender's SVR while they re-mortgaged and for the upset this caused.

Ms E and Mr V agreed. Sesame said it had no comments.

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.

Ms E and Mr V say due to the problems with the product switch they are out of pocket through no fault of their own. I appreciate their frustration that neither Sesame nor the lender took responsibility for the problem. I can only consider here whether Sesame made an error, and if so what it should fairly do to put matters right.

We asked Sesame for further information about what happened and what confirmations it would expect to receive from the lender if the product switch was proceeding successfully. Sesame didn't respond with the requested information. I should explain that where information is incomplete or contradictory, I make a decision on the balance of probabilities – that is, what I think most likely happened based on the available evidence. Ms E sent copies of emails and messages with Sesame, and this has been helpful in understanding what happened.

Sesame did make an error. It applied for the product switch to take effect immediately – the “pay now, switch straight away” option – instead of asking for the product to take effect on 1 June 2024, after the existing product expired.

An immediate product switch would have required Ms E and Mr V to pay an ERC of about £6,500. The lender says it tried to contact Ms E and Mr V, to ask for the ERC to be paid. The lender cancelled the product switch in mid-April 2024 because Ms E and Mr V didn't pay the ERC.

Sesame says the lender didn't tell it that the product switch application was cancelled. The lender confirmed that it didn't tell Sesame that it had cancelled the product offer, or that it had been trying to contact Ms E and Mr V about paying the ERC.

Sesame says it didn't have an opportunity to put matters right. I agree that matters might have been different if the lender had told Sesame that the application was cancelled. But that's not the same as finding that Sesame didn't make an error or that it didn't have an opportunity to put things right.

The product transfer offer issued by the lender in late February 2024 said an ERC was due. Under the heading “Costs payable to us” the product offer said “Existing Early Repayment Charges [£6,500], payable to [the lender] on or before completion”. I think if Sesame had checked the product offer it would have seen this and been alerted to its error, or at least the need to contact the lender and ask why it was asking for the ERC to be paid.

Ms E contacted Sesame in mid-April 2024. She asked if they needed to do anything or if everything was on schedule? Sesame said the product they had was still the best option and there was nothing for them to do. It attached a copy of the product offer and its suitability letter. Ms E says this was the first time they'd received the product offer.

Ms E contacted Sesame again in mid-May 2024. Sesame said the 4.8% product remained a good deal.

As I said, Sesame didn't respond to our question about what confirmations it would expect to receive from the lender if the product switch had progressed. I'm assuming that it heard nothing from the lender between February 2024 and June 2024. I think this contact from Ms E ought reasonably to have prompted Sesame to check that the product switch was in progress. There was another opportunity for it to check the product transfer offer before sending it to Ms E. It could have asked Ms E what letters she'd received from the lender.

The problem with the product switch resulted from Sesame's error. But the lender contacted Ms E and Mr V about the product transfer, rather than Sesame. I need to consider whether Ms E and Mr V ought reasonably to have been alerted to a problem with the product switch, which they ought to have raised with Sesame.

The lender said it tried to call Ms E in late February 2024 and early March 2024 to arrange for the ERC to be paid. It says there was no answer and no facility to leave a message. Given that the lender didn't make contact or leave a message, this wouldn't have alerted

Ms E and Mr V to a problem.

The lender said it wrote to Ms E and Mr V in early April 2024. This letter thanked them for choosing a new product and reminded them that they'd opted to pay the early repayment charge (of about £6,500) to transfer to the new product. Ms E and Mr V say they didn't receive this letter. I think if Ms E and Mr V had received this letter, they'd have contacted Sesame to ask why they were being asked to pay the ERC. When Ms E and Mr V received

an unexpected letter from the lender in early 2024 they contacted Sesame, to check what it was about. I think they'd have done the same thing here if they'd received a letter asking them to pay £6,500.

The lender wrote to Ms E and Mr V in March and April 2024, to remind them that their product was due to expire. Ms E and Mr V say these were standard letters. The April 2024 letter said their product was due to end on 31 May 2024. It went on to say they didn't need to do anything if they'd recently accepted a new offer. It gave further information, such as being able to change products if cheaper products became available. Ms E says as they'd asked Sesame to secure a new product for them, they were not concerned by these letters.

Ms E and Mr V say they didn't receive anything from the lender directly or via Sesame to confirm the product switch was in progress. But this didn't worry them as their experience when they took out the mortgage was that the lender communicated with Sesame. Ms E contacted Sesame in April and May 2024, to check that everything was in order, and they didn't need to do anything.

Ms E and Mr V didn't know there was a problem with the product transfer they'd asked for in February 2024. I think in the circumstances it was reasonable for them to assume the letters they received about their product expiring were standard letters, intended to remind them to act if they hadn't already done so.

Based on the available evidence, the only thing that ought to have alerted Ms E and Mr V to a possible problem was the product transfer offer, which said an ERC was payable. If they'd asked Sesame about this when they received the offer (which Ms E says was in mid-April 2024) the problem might have come to light sooner. I don't think this is enough to find that Ms E and Mr V were (in effect) more responsible for the events that led to them not having a product in place in June 2024 than Sesame.

Sesame was also unaware until June 2024 that the product transfer had been cancelled by the lender. But the product transfer failed because of Sesame's error in selecting the "pay now, switch straight away" option. Ms E and Mr V had asked Sesame to secure the product, and checked with Sesame on two occasions that it was in place. I think Sesame did have opportunities to check that the product was secured and proceeding – or to be alerted to a possible problem. It could have reviewed the product transfer offer or checked with the lender that the transfer was in progress.

Putting things right

I think Sesame made an error which resulted in losses to Ms E and Mr V. It needs to put this right.

I don't think it's fair and reasonable to require Sesame to compensate Ms E and Mr V for their new mortgage having a higher interest rate – 4.81% rather than 4.8%. The amount of the additional interest is relatively small (for a £400,000 loan this would result in additional interest of about £80 over two years). There are significant differences between the mortgage Ms E and Mr V repaid and the mortgage they took out in 2024 which makes it difficult to assess whether they will be better or worse off overall.

When Ms E and Mr V remortgaged this was largely on an interest only basis. They will pay more interest as a result of their balance not reducing each month. But their monthly payments are lower (about £1,800 rather than about £2,600). They will have the use of the difference in the meantime. It seems from the correspondence between Ms E and Mr V and Sesame that they might need these funds to pay for their lease to be extended. If not, Ms E and Mr V could make overpayments to reduce their mortgage balance and, therefore, the

amount of interest they will pay (they should first check with the lender the terms of any overpayment concession so that they do not incur an ERC).

The term of the fixed interest rate product Ms E and Mr V have taken out is longer (ending in September 2026 rather than in May 2026). Whether this benefits Ms E and Mr V will depend on mortgage interest rates in mid-2026.

However, I think it's fair and reasonable to require Sesame to compensate Ms E and Mr V for being on their lender's SVR while their new mortgage completed. This delay could have been avoided if Sesame hadn't made errors. Sesame should compensate Ms E and Mr V for the additional cost of the SVR as compared to the interest rate on their new mortgage between 1 June 2024 and the date that the new mortgage completed. As Ms E and Mr V have been without use of this money, Sesame should add interest at 8% simple* from the date the new mortgage completed to the date it pays the compensation.

I also think Sesame should compensate Ms E and Mr V for the £999 product fee they paid when they remortgaged. The product Ms E and Mr V chose in February 2024 had no product fee. I note that Sesame's suitability letter said that Ms E and Mr V wanted a no fee product.

As the fee was added to the mortgage loan, Sesame should add interest at the mortgage rate* from the date the mortgage completed to the date that it pays the compensation.

I asked Sesame to send a calculation of this compensation in response to my provisional decision. It's disappointing that it didn't do this, as this was intended to avoid any further delay or dispute after my final decision. If Sesame has any doubt about any aspect of how the compensation should be calculated, it should choose a method that is fair to Ms E and Mr V.

Sesame should send its calculations to Ms E and Mr V if they accept my decision.

Sesame helped Ms E and Mr V to source and secure a remortgage once the problem came to light. While I think it was right and fair to do so, it's clear from the messages between Ms E and Mr V and Sesame, that the re-mortgage application and being on the lender's SVR caused them worry, upset and inconvenience. I think for the upset this caused, Sesame should pay £300 to Ms E and Mr V.

*If Sesame considers it has to withhold tax from this interest, it should send a tax certificate to Ms E and Mr V if they ask for one.

My final decision

My decision is that I uphold this complaint. I order Sesame Limited to calculate and pay compensation as set out above and send a copy of its calculations to Ms E and Mr V.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms E and Mr V to accept or reject my decision before 30 April 2025.

Ruth Stevenson
Ombudsman