

The complaint

This complaint is about a mortgage Mr E holds with Bank of Scotland plc (BOS). It's the third in a sequence of individual complaints Mr E has made about BOS' handling of a series of changes made to his mortgage account during early 2024. Those changes include arranging a new interest rate product, a term extension, and payment arrangements to help Mr E during a period of financial hardship following a loss of employment.

We've looked at each complaint individually; the one I am deciding here arises from a final response BOS issued on 28 August 2024, and deals with two issues:

- the implementation of a new interest rate product, requested in February 2024, and applied to the account in April 2024, to run from 1 May 2024; and
- a payment arrangement intended to run for three months starting in April 2024. Mr E believes this was mis-manged, and has resulted in a false escalation of arrears and adverse reporting on his credit file.

What happened

For the most part, our investigator wasn't persuaded BOS has treated Mr E unfairly or caused him financial harm. But he agreed with BOS' admittance that it has misled him on some of the detail of what would happen and when, and thought its offer of £300 compensation was fair. Mr E asked for the case to be reviewed by an ombudsman.

The above summary is in my own words. The basic background to this complaint is well known to both parties so I won't repeat the details here. Nor will I be revisiting and of the subject matter covered in our investigations into the first two complaints; any reference to them will be for context only. Instead I'll focus on giving the reasons for my decision. If I don't mention something, it won't be because I've ignored it. It'll be because I didn't think it was material to the outcome of the complaint.

What I've decided – and why

I'll start with some general observations. We're not the regulator of financial businesses, and we don't "police" their internal processes or how they operate generally. That's the job of the Financial Conduct Authority (FCA). We deal with individual disputes between businesses and their customers. In doing that, we don't replicate the work of the courts, nor in any way interfere with that work.

We're impartial, and we don't take either side's instructions on how we investigate a complaint. We conduct our investigations and reach our conclusions without interference from anyone else. But in doing so, we have to work within the rules of the ombudsman service.

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

Where the evidence is incomplete and/or contradictory, I'm required to reach my decision on the basis of what I consider is most likely to have happened, on the balance of probabilities. That's broadly the same test used by the courts in civil cases.

The existing fixed rate ended on 31 January 2024. Discussions on the new rate, along with a term extension, began in February 2024, but there was a dispute about whether the payments to the account were up to date (a requirement for a new rate) or in arrears. Ultimately, BOS agreed to provide the new rate and the term extension. In March 2024, it was also agreed that a payment arrangement would be put in place for three months to help Mr E. I find that to be fair and reasonable.

However, Mr E's mortgage runs on a legacy computer system. Typically, applying changes to a mortgage on this system would be an opportunity to migrate the account to the current platform. BOS said that wasn't possible in Mr E's case, as a charge was registered on his property title by another creditor, so instead it carried out a series of manual "workarounds", to effect the changes, all of which took time.

Mr E has disputed that there was another charge registered against his property, and a recent search of HM Land Registry confirmed this. Equally, however, BOS' record show there had been an entry in 2019, when its own solicitors last checked and reported back. I think I'd have expect BOS to check to see if anything had changed, if only to avoid having to conduct the manual workarounds that were as time-consuming to BOS as the appear to have been frustrating to Mr E.

But even if it had done that, I think BOS would still have needed time to address legitimate concerns about affordability before the changes could be implemented. Overall, I don't think the time taken to put the changes in place resulted in Mr E being treated unfairly, or that it caused the escalation of arrears (and credit file reporting) for which Mr E blames BOS.

The mortgage had been in arrears coming into 2024, and whilst Mr E did make efforts to bring it up to date during January 2024, no payment was made in February or March 2024. The payment arrangement came into effect on 1 April 2024, but the first amount due under that wasn't paid. A payment was received in May 2024, but nothing in June, July or August, the month in which BOS issued the final response on this complaint.

Even if BOS had been aware it could make the changes via a migration to the new platform instead of through the manual workarounds, I think broadly the same amount of time would have elapsed before it would have been willing to proceed.

Putting all of the above together, I find that BOS' offer of £300 compensation is fair and reasonable in all the circumstances.

My final decision

My final decision is that this complaint should be resolved by Bank of Scotland plc, if it has not already done so, paying Mr E £300. I make no other order or award.

My final decision concludes this service's consideration of this complaint, which means I'll not be engaging in any further discussion of the merits of it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 3 June 2025.

Jeff Parrington
Ombudsman