DRN-5541966

The complaint

Ms L complains that The Co-operative Bank Plc trading as Platform failed to ensure that when she switched to a new mortgage product in July 2023 that she wouldn't pay the Standard Variable Rate ("SVR").

What happened

Ms L had a mortgage with Platform and an interest rate product that ended on 30 June 2023. Ms L applied for a new interest rate product online on 18 June 2023 - a five-year fixed rate product at 4.90% based on a loan to value ("LTV") of up to 75% with a fee of £1,249.00 ("Product 1"). Platform says that as Ms L's LTV was lower than 60% and as lower rates were available to her, it tried on several occasions to contact her. Ms L spoke to a Platform adviser on 27 June. The adviser confirmed that because her LTV was less than 60%, a lower fixed interest rate was available to her of 4.81% with a fee of £1,249.00 ("Product 2") and Ms L asked for time to consider her options. The adviser told her to get back to them as soon as possible as the mortgage would move onto the SVR on 1 July and the new monthly payment based on that would be collected in August.

Ms L contacted Platform on 7 July 2023 and asked for an interest rate of 4.90% based on an LTV of 60%. Platform began to process the application but as Ms L was again asking to pay a higher rate of interest than was available to her, Platform asked Ms L to make contact. When she did so, the Platform adviser assisted Ms L in making an application for Product 2. As Ms L was now paying the SVR, Ms L asked about a refund of the payments she was making above what she would have to pay on Product 2 and was told there would be a refund. A full refund wasn't made. Ms L chased that up and made a complaint.

Platform conceded that there was a one day delay in reviewing the documents and backdated the switch by one day. Platform also conceded that Ms L had been misinformed in the phone conversation of 20 July that she would get a refund if she were charged at the SVR before the product swich came into effect. Platform in its final response to Ms L said that it would pay compensation of £100 for this mistake but that a refund wasn't due.

When the complaint was brought to us, Platform reviewed the case and made a pro-active settlement offer, as a gesture of goodwill, to backdate the product switch to 1 July 2023. Our investigator recommended the pro-active settlement as a fair outcome to the complaint. Ms L disagreed and wanted a full refund as a lump sum and fair compensation.

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.

I confirm that as part of my investigation that I listened to all the phone calls that Ms L recently supplied to us. I would make a general comment as to my view as to why there were difficulties with this application. I noted that Ms L said she approached a mortgage broker, but the broker didn't think he/she would be necessary. It does seem to me that Ms L could have done with advice at certain stages of the application. Platform were trying to be helpful and nudging Ms L towards the better options for her but as they were not acting in an advisory capacity could not make the choices for her. If Ms L had used a broker I believe that it's likely that Product 2 would have been chosen before the SVR impacted on 1 July.

Ms L chose Product 1 at the start. Platform asked her to recheck the product as there was a better value one available. Ms L eventually decided to go with Product 2. That seems uncontroversial and good practice by Platform telling Ms L that there was a better value available to her than the original one she had chosen. The only problem is that by the time Ms L got round to choosing Product 2, the interest rate on her mortgage had moved on to the lenders SVR.

The issue I have to consider is was Platform responsible for that? Ms L in her Complaint Form says that " *Eventually the product chosen was the same that I chose earlier."* But it clearly wasn't as I set out above.

It seems to me that Platform was acting in Ms L's best interests in trying to contact her to tell her that there was a better product on the market which she ought to consider. I see that Platform tried to contact Ms L on 19 June, leaving a voicemail for her to contact it and again on 21 and 22 June leaving a voicemail again. Ms L called on 27 June and Platform's file note reads that Ms L was "*to have a look at the rates and will call back* ". The problem of course was that delaying that decision until after 1 July meant that Ms L would no longer be on any mortgage product and so by default would be on Platform's SVR and that's what happened. Clearly it was also in Ms L's best interests that she made an early decision but that's outside Platform's hands and I can't fault it that Ms L delayed her decision on the product until after 1 July and so the lender's SVR became payable until the mortgage moved onto Product 2.

When Ms L agreed to Product 2 on 20 July, Ms L also asked about backdating the product switch to 1 July. Platform agrees with Ms L that its agent told her that the product switch would be backdated and that she would be able to claim a refund if, as happened, Platform took the SVR payment from her account. Platform's position is that its agent made an error and overpromised without authority and for that service error it agreed to pay Ms L £100. Its position has changed somewhat in that it accepts that it should have more active in contacting the customer and so, offered as a gesture of goodwill to backdate Product 2 to start on 1 July which was what Ms L was told on 20 July. Ms L has refused Platform's offer and asked us to consider the issue in a segmented manner, one being the refund of the overpayment and the other being the proper level of compensation.

So, I will look firstly at whether any refund should be made. Ms L was aware that the SVR would be charged following the ending of her original mortgage product on 1 July. She had chosen a replacement one but was advised by Platform that this was not an optimal choice on 27 June and decided to reconsider her options. But that meant that unless she acted quickly, the mortgage would go onto the SVR which it did. So, I can't find Platform at fault if Ms L found herself on the SVR whilst she reconsidered her options. Although from the phone call of 27 June, the options were explained to Ms L, the choice she communicated on 7 July - an interest rate of 4.90% with an LTV of 60% was neither Product 1 nor Product 2 so she was contacted again by Platform and agreed with Platform on 20 July that she would opt for Product 2.

My view is that Platform acted fairly by advising Ms L before the switch happened that she should look at choosing a better mortgage product than she had already. Ms L agreed to look at that but was aware that her mortgage would go on to the SVR after 1 July. So, any delay after that would mean that Ms L would be paying her mortgage at the higher rate. I note that in several calls Ms L says that she felt she was going round in circles. My sense is that although Platform wasn't acting in an advisory capacity - it wasn't providing advice as such - it recognised that Ms L wasn't taking the best option for her and asked her to look again at her choice.

This is a case where both sides contributed to the problems Ms L faced. From Platform's side there seems to have been a system issue initially which threw up an incorrect LTV for Ms L to input. When Ms L chose the wrong product on 7 July, Platform should have been quicker letting Ms L know and then on 20 July it told Ms L there would be a refund and there wasn't. Ms L, if she wanted to avoid her interest rate going on the SVR, following her call with Platform on 27 June, should have responded before 30 June. Ms L caused further delay to the switch by asking for a mortgage product that was neither Product 1 nor Product 2 on 7 July.

I turn to financial recompense. As it was Ms L's failure to choose a mortgage product before 1 July, that meant her mortgage became payable at the SVR rate. So, I wouldn't be minded to order a refund of all the money that Ms L paid on the SVR over and above the amount she would have paid on Product 2. Although an employee of Platform told her there would be a refund, that wasn't strictly required as it was Ms L's fault that she started incurring the SVR. That would normally lead to an award for distress and inconvenience not to a refund. But I note that as a gesture of goodwill that Platform in a pro-active settlement offered to backdate the switch to Product 2 to 1 July 2023 which means I'm not required to reduce that refund. This offer is fair in the circumstances. I don't require Platform to pay interest on that figure.

Ms L should be entitled to an amount of distress and inconvenience for Platform promising the refund and not delivering on its promise. Ms L in the phone call says she expected a refund of about £440. I believe that the offer of £100 is the appropriate figure to compensate Ms L. Ms L was promised the refund and that was not delivered on. I can understand the frustration when a financial company promises something and doesn't deliver on it and the figure of £100 seems appropriate given the amount of money involved and of Platform's offer to make a full refund as a gesture of goodwill.

My final decision

I approve the proactive offer made by The Co-operative Bank Plc trading as Platform of backdating the operation of Product 2 from 1 July 2023 and refunding to Ms L any payment she made above what she should have been paying if her mortgage had been on Product 2 from that date. It should also pay Ms L £100 for her distress and inconvenience (unless this sum has already been paid).

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms L to accept or reject my decision before 15 July 2025.

Gerard McManus
Ombudsman