

The complaint

Mr A complains that Bank of Scotland plc trading as Halifax recalculated the repayments on his mortgage.

What happened

In 2023, Mr A received advice from a third party broker. They recommended that he should take a mortgage with Halifax. The mortgage had a fixed rate of 5.1% until 20 September 2025 with payments of £1,655.03. The mortgage allowed Mr A to make overpayments up to 10% of the mortgage balance each year.

Mr A made overpayments to his mortgage. In August 2024 Halifax sent Mr A his annual mortgage statement. It said that it had recalculated his monthly mortgage payments to £1,500.40. It said that was to make sure the mortgage was repaid by the end of the agreed term.

Mr A complained to Halifax. It said that Mr A could revert to the previous monthly payment until the next time it recalculated the mortgage – in addition to paying him £40 for failing to send him a copy of the terms and conditions for the mortgage.

Mr A complains that Halifax should not have changed the payments on his mortgage. He also said that Halifax did not communicate the changes to the payment in a sufficiently clear way and that it has not clarified that if he accepted the offer whether that would affect this overpayment allowance.

The investigator thought that Halifax's offer of £40 was fair in respect of the failure to provide a copy of the terms and conditions. He said Halifax should extend its offer to revert the payments to the previous monthly payment without the "overpayments" affecting Mr A's overpayment allowance.

Halifax said that it would extend its offer to up to 31 July 2025 and that the mortgage would be recalculated again on the anniversary of the account on 1 September 2025 and after 20 September 2025 when his fixed rate ended.

Mr A did not accept what the investigator said.

The complaint was referred to me. I told Halifax that it needed to do more. It agreed to extend its offer and to:

- Allow Mr A to make overpayments of £1,855.56 for the period October 2024 to September 2025. That was equivalent to the overpayments he would have made had his payment not been reduced in October 2024.
- If he makes the above overpayments it will not affect his 10% overpayment allowance and there will be no early repayment charge (ERC).
- Halifax will backdate any overpayments, providing that Mr A has evidence that he had

the funds available to make the overpayments at the time in question.

- Pay Mr A £100 for any distress and inconvenience caused by the service it provided – on top of the £40 it has already paid.

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.

When Mr A took out this mortgage, he accepted the Halifax mortgage conditions 2019. They said that Halifax could change the monthly payments to make sure that everything was paid off at the end of the mortgage term. Because Mr A had overpaid, he was on course to repay his mortgage ahead of the end of his mortgage term. I consider that Halifax was acting in line with the terms and conditions of the mortgage when it changed Mr A's mortgage payment.

Halifax has also told us that its "information about your mortgage booklet" that was sent with the mortgage offer explained that it would check the mortgage every year to make sure it was on track and that there would be times where it would amend the monthly payment.

Halifax told Mr A about the change to the mortgage payment in October 2024 in his August 2024 statement. I consider that was sufficient notice of the change to the payment.

I can understand why Mr A was surprised when his payment changed. He'd previously been able to make overpayments and keep the monthly payments at the same level as when he took out the mortgage. Halifax said it changed the payments to comply with the FCA's consumer duty – and in particular its duty to avoid foreseeable harm to consumers. It said that there was a risk of harm to borrowers who were paying more than they needed to their mortgage.

On the other hand, the consumer duty also required Halifax to enable customers to achieve their financial objectives. It ought to have known that some borrowers who were overpaying, like Mr A, wished to repay their mortgage as soon as possible. So not amending the payments would enable those customers to meet their objectives.

After considering everything, including the consumer duty and the terms and conditions, I consider that Halifax's offer is a fair way to put things right. It balances its rights under the terms and conditions of the mortgage and its obligations under the consumer duty. It is entitled to make the changes to the payments and it has a valid reason to do so. Its offer to allow Mr A to make payments equivalent to what they were before the payment changed, and to backdate those payments, reflects that it had not changed payments in the past and to give Mr A more time to adjust to the changes it has made – and that it was entitled to make.

I also consider the scope for any harm to him is reduced because he is able to obtain advice from Halifax about whether reducing the term of his mortgage is appropriate. That might involve Mr A spending some time to do that. But it is reasonable for Halifax to explore whether reducing the term is the right thing overall for Mr A.

I accept that the service provided by Halifax has at times been poor. It took too long to clarify the terms of the offer and to send Mr A a copy of the terms and conditions as he'd requested. But I think its offer of £100, in addition to the £40 it's already paid is a fair way to put things right.

My final decision

My final decision is that bank of Scotland plc trading as Halifax should:

- Allow Mr A to make overpayments of £1,855.56 in total for the period October 2024 to September 2025. That was equivalent to the overpayments he would have made had his payment not been reduced in October 2024.
- If he makes the above overpayments it will not affect his 10% overpayment allowance for that year and there will be no ERC applied.
- Halifax will backdate any overpayments and adjust the interest on Mr A's mortgage accordingly, providing that he can provide evidence to show that he had the funds available to make the overpayments at the time in question.
- Pay Mr A £100 for any distress and inconvenience caused by the service it provided – on top of the £40 it has already paid.

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

Ken Rose
Ombudsman