

The complaint

Mr S complains that Bank of Scotland plc, trading as Halifax, hasn't credited some of his payments to his mortgage correctly. As a result, he says it has wrongly treated the mortgage as being in arrears, charged him fees and extra interest, and he suspects there has been fraud on his mortgage.

What happened

Mr S took out his mortgage with Halifax in 2009. He makes payments to the mortgage at a Halifax branch. Over the years branch staff have processed some of his payments wrongly, resulting in them being credited in full to the "fees" part of Mr S's mortgage balance instead of being apportioned across all his mortgage subaccounts. When this has happened, the mortgage has appeared to be in arrears because the capital mortgage balance hasn't reduced as expected.

In early 2024 Mr S made a complaint about a payment of £680 which he had made at a branch but which appeared not to have been credited to his mortgage. He referred that complaint to the Financial Ombudsman Service and one of our Investigators issued an assessment in April 2024. The Halifax branch had banked Mr S's payment as a payment of a fee instead of a normal payment, but Halifax had since corrected Mr S's mortgage balance, amended his credit file, and paid Mr S some compensation. Our Investigator said Halifax had done enough to resolve the complaint.

Mr S said this wasn't the first time Halifax had misapplied a payment and asked for his whole mortgage to be looked at. In December 2024 he made a fresh complaint to Halifax about earlier payments and charges.

Halifax issued its final response to this complaint in January 2025. It said that parts of Mr S's complaint are time-barred but that it had reviewed his account from November 2017 onwards to see whether any payments or fees had been misapplied and not corrected. It found two such payments: a payment of £550 made in September 2020 and a payment of £530 made in October 2020. It apologised to Mr S, said it had arranged to re-work Mr S's mortgage to correctly reflect these payments and it would amend his credit file, and it paid him £300 compensation. It also said it hadn't charged Mr S any arrears fees during the period it had reviewed which hadn't already been refunded.

Mr S asked us to investigate. Following our involvement, Halifax offered to pay Mr S a further £150 compensation because it hadn't amended his credit file as quickly as it should have done. Our Investigator said that Mr S had complained too late about how Halifax had administered his mortgage before December 2018 (six years before he complained in December 2024), and it had made a fair offer to put things right for the mistakes it made with his payments in 2020.

Mr S didn't accept that conclusion. He said he suspects there has been fraud on his mortgage account and he wants a full investigation, to include payments which were misapplied in 2017 and 2018. He said the mistakes with his mortgage have happened at least five times so they can't just be typing errors, and £150 isn't enough compensation for

these repeated mistakes.

Mr S's complaint was referred to me to decide. I reached the same overall conclusion as our Investigator but for different reasons, so I issued a provisional decision.

My provisional decision

I provisionally found that I couldn't look into parts of Mr S's complaint, and I explained what I would and wouldn't be considering and why. I then set out my provisional conclusions about the parts of the complaint I could consider. I said:

"What I've decided about the parts of the complaint I can consider"

Halifax has made the same mistake with Mr S's mortgage payments several times, and it's clear that this has caused Mr S worry and upset. He's concerned that his mortgage balance still isn't right and he wants it to be fully reviewed.

Mr S's mortgage is split into four subaccounts. Halifax set out what makes up the balance of each subaccount in its January 2025 final response letter – three of the subaccounts are for fees which were applied at different times and these three subaccounts have relatively small balances. The other subaccount (subaccount 2) is the capital balance which Mr S originally borrowed in 2009. The mortgage has operated in this way, split into four subaccounts, since Halifax made a change to its systems in 2013. It wrote to Mr S about this when it made the change in 2013 to explain what it was doing and why.

Halifax has told us that each time Mr S makes a payment at one of its branches its cashier must select one of five options to confirm how the payment should be allocated. It has said that when payments have been misapplied, this is because the cashier has processed them as "fee receipts" rather than simply as "receipts". Having looked carefully at Mr S's mortgage statements, I'm satisfied that Halifax's explanation reflects what appears on the statements.

The January 2021 statement, for example, shows that the payments Mr S made in September and October 2020 were recorded as "fee receipts" instead of simply "receipts" as his other payments were that year. This in turn meant that the balance on subaccount 99 (which is the subaccount made up of fees which have been applied to the mortgage since 2013) reduced by the full amounts of those two payments, but the main mortgage balance on subaccount 2 didn't reduce at all when those payments were received.

Mr S's payments should instead have been apportioned across all four subaccounts, with the bulk of each payment going to subaccount 2, as all Mr S's other payments had done on that statement. Because this didn't happen, the mortgage appeared to be in arrears. Halifax has since corrected this, which will show on Mr S's next annual statement.

I don't find that this is indicative of fraud or other deliberate attempts to tamper with Mr S's mortgage. It seems much more likely to me that the payments were misapplied due to human error, and I hope my conclusion about this will be of some reassurance to Mr S.

It is however clear that Halifax made mistakes with the payments Mr S made of £550 in September 2020 and £530 in October 2020. Those mistakes weren't identified until December 2024, when Halifax investigated the complaint at hand here.

No arrears fees were added to Mr S's mortgage as a result of the misapplied payments in 2020. But the mortgage did appear to be in arrears when it shouldn't have done. Halifax has said that it has now adjusted the mortgage so that the 2020 payments are reflected across the correct subaccounts and it has amended Mr S's credit file to reflect no arrears since September 2020. Halifax has also paid Mr S £300 compensation and offered him a further £150.

In all the circumstances, I think Halifax has made a fair offer to put things right. Its records don't indicate that it was chasing Mr S for extra payments to make up the apparent arrears or that it took other debt recovery action because of its mistakes in 2020, and I haven't seen anything to show that Mr S suffered any financial loss because of what happened. I think he has however been caused quite considerable worry and upset and has lost trust in Halifax. I consider a total award of £450 is fair in recognition of that.

The Financial Ombudsman Service doesn't provide an auditing service. I have however considered all the annual statements for Mr S's mortgage which have been issued since 2018, and I haven't identified any misapplied payments which haven't now been corrected. I understand that Halifax has sent Mr S copies of his mortgage transaction history, so if he remains concerned about how any particular payments have been treated he should let me know in response to this provisional decision.

I can't give Mr S a guarantee that Halifax won't misapply any of his payments in future. That shouldn't happen – but things can and do sometimes go wrong. Halifax has suggested Mr S consider paying his mortgage by direct debit instead. That would remove the possibility of a cashier making a mistake when processing Mr S's payments, and it may be something Mr S wishes to consider."

I invited Mr S and Halifax to let me have any further evidence or arguments they wanted me to consider before I make a final decision.

Mr S didn't accept my provisional decision. He said, in summary, that a further £150 isn't fair compensation for what he has been through, his mortgage payments haven't come down enough since 2009, Halifax should have been able to deal with cash payments properly, and direct debit doesn't suit him. He didn't think it was right that his mortgage was split into multiple subaccounts without his agreement and asked for a copy of the letter Halifax sent to him about this in 2013.

Halifax didn't say whether or not it accepted my provisional decision, but it had nothing more to add.

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 have issued a separate decision confirming what I will and won't consider in this complaint, and why. I said that I can't consider Mr S's complaint about the mortgage payments that Halifax misapplied in 2017 and 2018 or the division of the mortgage into subaccounts in 2013, and I won't be reconsidering his complaint about the payment that was misapplied in 2024. I can consider Mr S's complaint about how Halifax administered his other mortgage payments between December 2018 and January 2025.

I've carefully considered what Mr S has said in response to my provisional decision. Having done so, I haven't changed my mind about how this complaint should fairly be resolved. I agree with Mr S that Halifax should be able to deal properly with cash payments and that he shouldn't have had the problems he has had. Halifax has said it accepts that as well. And Mr S doesn't have to pay by direct debit if he doesn't want to – that's up to him.

As I said in my provisional decision, I can't guarantee that nothing will go wrong with Mr S's mortgage payments in future. I can only deal with the complaint at hand – subject to the limits on my power to do so as I've explained separately. I remain of the view that Halifax has done enough to put this complaint right. It has adjusted Mr S's mortgage so that the 2020 payments are reflected across the correct subaccounts and it has amended his credit file to reflect no arrears since September 2020. It has paid Mr S £300 compensation and offered him a further £150.

I recognise that Mr S thinks this doesn't go far enough, but he hasn't said anything further about the impact this matter has had on him which leads me to conclude that a higher award would be fair. I think that compensation of £450 in total fairly reflects the considerable upset, worry and inconvenience Mr S has been caused, so I don't require Halifax to pay any more than that.

Mr S hasn't pointed to any other specific payments which he thinks have been misapplied. If he is concerned that Halifax has set his mortgage payments at the wrong level he should raise that with Halifax in the first instance.

My final decision

My final decision is that Bank of Scotland plc, trading as Halifax, has made a fair offer to put things right in respect of the parts of the complaint I can consider. It should pay Mr S £150 compensation, in addition to the £300 it has already paid and the corrective action it has taken on the mortgage.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 12 August 2025.

Janet Millington
Ombudsman