

The complaint

Mr B and Ms J complain that Bank of Scotland plc trading as Halifax gave them unclear and incorrect information about their mortgage balance. This resulted in a shortfall when they repaid the mortgage, which led to delays selling the property. Mr B and Ms J are worried that the redemption amount wasn't calculated correctly.

What happened

Mr B and Ms J took out an interest only mortgage with Halifax in 2009. The term expired in 2023 with an unpaid balance.

Halifax started action for possession in mid-2024. A court hearing was scheduled for January 2025.

Mr B and Ms J repaid the mortgage in January 2025. They received a letter from Halifax shortly after this saying they still owed about £450. Mr B and Ms J raised a complaint about this, saying they'd relied on the redemption figure given to them by Halifax.

Mr B and Ms J also say Halifax hasn't explained why the balance of their mortgage increased from the amount they borrowed (£310,000) to about £328,000.

Halifax said the shortfall was due to unpaid legal costs and arranged for the solicitors to write to Mr B and Ms J with a breakdown of their fees. It said the balance of Mr B and Ms J's mortgage increased due to payment deferrals during the Covid-19 pandemic and underpayments of interest in 2022, 2023 and 2024.

Our investigator said Halifax hadn't treated Mr B and Ms J unfairly.

Mr B didn't agree, saying:

- Halifax should have told them their monthly payment had increased and given them an exact figure to pay.
- The redemption statement issued in December 2024 did include legal fees.
- The time taken to get an explanation and a redemption amount put the sale of the property in jeopardy, and caused delays of about three months.

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.

Mr B and Ms J borrowed £310,000 (plus fees of £999). They don't understand why their balance increased to about £328,000.

Halifax says the balance of Mr B and Ms J's mortgage increased due to payment deferrals during the Covid-19 pandemics. The unpaid interest was added to the mortgage balance

which increased to about £315,000. It says there were some small increases in the balance in 2022 when payments following an interest rate increase were not always the full amount. Halifax provided records to support this.

Mr B and Ms J's mortgage was on a variable rate. The Bank of England increased its base rate on several occasions in 2023. Mortgage interest rates also increased, including the interest rate being applied to Mr B and Ms J's mortgage. Mr B and Ms J didn't increase their monthly payments, and the underpaid interest was added to the mortgage balance. Halifax provided records to support this.

I haven't seen anything to suggest Halifax didn't calculate the balance of Mr B and Ms J's mortgage correctly. I think the explanation it provided for the increase in the balance is clear.

Mr B and Ms J say they were not told their monthly payments had increased, or that the unpaid amounts were added to the mortgage balance. They say if they'd known this they'd have found a way to repay the mortgage sooner.

Halifax says once a mortgage term has expired it doesn't re-calculate the customers contractual monthly payments. Halifax says it told Mr B and Ms J this.

Halifax says it wrote to Mr B and Ms J when their interest rate increased. It provided an extract from these letters which says "*your monthly payment...will stay the same and may not be enough to cover the change in the interest rate*". Halifax says Mr B and Ms J could have called if they wanted to know how much they'd need to pay to cover the interest.

Halifax says it also discussed the interest arrears on calls with Mr B and Ms J, including during a call with Ms J in May 2023 and with Mr B in September 2023.

Mr B and Ms J say they didn't receive the annual statement for 2023 – which would have set out the higher monthly interest amounts and the interest arrears. They did receive the annual statement the following year. Halifax's records show an annual mortgage statement was issued in early January 2024 (for the year ended 31 December 2023). While it's not clear why Mr B and Ms J didn't receive the annual mortgage statement issued in January 2024, I can't fairly find this was due to an error by Halifax without evidence this was the case.

Mr B says they'd have acted differently if they'd known that unpaid interest was being added to their mortgage balance. However, Ms J and Mr B didn't make payments to address the arrears after their discussions with Halifax in May and September 2023. If Mr B and Ms J were in a position to repay the mortgage before early 2025, I think it's reasonable to expect them to have done so given the term had expired in early 2023.

Halifax put holds on recovery action. Unfortunately Mr B and Ms J were unsuccessful in selling the property. In mid-2024 Halifax wrote to Mr B and Ms J to say it was starting legal action to repossess their property. A court hearing was scheduled for late January 2025.

Ms J told Halifax in December 2024 they'd had an offer for the property, and sent it a copy of the memorandum of sale in January 2025. They expected the sale to complete within a month. Mr B and Ms J also repaid two sub accounts (totalling about £1,200).

In mid-January 2025 Ms J called Halifax. She wanted to confirm the sub-accounts were repaid and the full amount needed to repay the mortgage, including any legal costs.

I've listened to this call. When Halifax gave Ms J the mortgage balance it made it clear that this was not the redemption figure. The call handler said because the account is with solicitors she'd have to call another team to request that any solicitors fees are added. She

also said that interest is added daily.

Ms J didn't want a redemption statement to be posted, as she needed a figure sooner. Ms J said they wanted to repay the mortgage within a few days to avoid the court hearing. She asked if she could pay the mortgage and deal with solicitors fees later, or call the solicitors.

Halifax said it would order a redemption statement, but it would take a few days for this to include the legal costs. Ms J said that was too long. Halifax said Mr B and Ms J could pay the balance and it would stop the legal action. Halifax said if Ms J called in late January 2025 it could give her the redemption amount and she could pay whatever was outstanding.

Halifax says it also made Mr B and Ms J's solicitor aware that legal costs would have to be added to the redemption amount. It provided a copy of the message to the solicitor. However, the solicitor sent funds which Halifax says was based on the balance it gave Ms J and not on the redemption figure it gave to the solicitor.

Ms J called in late January 2025 to check that redemption funds had been received and were sufficient. Halifax said it was too early to confirm this. It did confirm that she didn't need to attend court.

On 27 January 2025 Halifax told Mr B and Ms J's solicitor that there was a shortfall owed of about £450. It also wrote to Mr B and Ms J to say there was a shortfall and asked them to make the payment or call if they needed more information. The letter said it was unable to discharge the mortgage until the shortfall was paid. Mr B called Halifax and it told him the shortfall was due to legal costs added to the account.

Halifax wrote to Mr B and Ms J again in mid-February 2025 to ask them to pay the shortfall. Mr B and Ms J said they'd expected the redemption statement to include all amounts owed. Mr B says the previous redemption statement included legal fees, and this is what he'd been told would happen.

While Halifax didn't give Mr B and Ms J a full redemption figure in January 2025 that wasn't because it made an error. It was because Mr B and Ms J wanted to repay the mortgage within a few days and this didn't give Halifax enough time to issue a redemption statement with the legal costs included. I think Halifax fairly explained that the mortgage balance was not the final redemption amount. And that legal costs might be added.

Mr B and Ms J say Halifax didn't explain why they owed the shortfall amount or provide account details for the payment. Mr B and Ms J say this caused delays from January 2025 to mid-2025 during which they paid interest to their new lender and risked their sale. Mr B and Ms J paid the shortfall in mid-2025, after calling Halifax to ask for the details for the payment.

I think that Halifax did explain the reason for the shortfall. In response to Ms J's complaint it asked the solicitors to send a breakdown of their costs and sent an updated shortfall letter and mortgage statement. It paid £25 compensation. If Mr B and Ms J weren't sure how to make the payment, they could have contacted Halifax and asked. If there were delays to Mr B and Ms J's sale I can't fairly find that this was due to an error by Halifax.

I understand this was a difficult time for Mr B and Ms J. Halifax was taking action for possession. They wanted to repay the mortgage in time to avoid the court hearing. Their property sale wouldn't complete before the scheduled court hearing and it seems they refinanced while the sale completed – that would also have been stressful. All of this would have been worrying. I think Halifax fairly explained why the balance of Mr B and Ms J's mortgage balance increased and why it didn't give them a redemption amount that included all legal costs. I haven't seen any evidence that Halifax didn't calculate the amount owed

correctly. I don't think Halifax made errors or treated Mr B and Ms J unfairly so as to make it fair and reasonable to require it to refund any payments, pay further compensation or take further steps regarding this complaint.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B and Ms J to accept or reject my decision before 22 October 2025.

Ruth Stevenson
Ombudsman