DRN-5844919

The complaint

Mr and Mrs K complain that Clydesdale Bank Plc trading as Virgin Money didn't put a new interest rate product in place for their mortgage. Their mortgage went onto the standard variable rate, causing them financial loss and stress.

What happened

Mr and Mrs K's interest rate product was due to expire in December 2024. They accepted a new interest rate product in July 2024 on the basis they could switch if a better rate became available before December 2024.

Mr and Mrs K applied for a number of new products as better rates became available. They applied for a product in October 2024. They say they signed and returned the product acceptance form.

In early December 2024 Mr and Mrs K discovered the new rate hadn't been applied and their mortgage had gone onto the standard variable rate (SVR). Virgin said it didn't receive the signed acceptance form from Mr and Mrs K.

Mr and Mrs K took out a new product in mid-December 2024. Virgin applied the new interest rate from mid-December 2024. It applied an interest credit (about £360) to the mortgage account. The interest credit is the difference between the amount of interest at the SVR for the full month, and the (lower) amount of interest when the SVR applied for part of the month and the new product rate applied for the other part of the month.

Mr and Mrs K were unhappy. The product they applied for in October 2024 had a lower interest rate than the product they took out in December 2024. They said they missed out on the lower interest rate product because of Virgin's outdated, paper based process. Mr K says it's unfair for them to bear the financial burden of the signed acceptance going astray in the post and he'd been raising concerns about the flaws in Virgin's systems for many months,

Mr K asked that Virgin apply the product they applied for in October 2024 and refund all overpayments. He asked for compensation for the frustration, distress and inconvenience of dealing with the matter.

After the complaint came to us, Virgin said it had made an error. It didn't write to Mr and Mrs K in November 2024 to tell them what their new monthly payment would be from December 2024, when their mortgage went onto the SVR. It offered to backdate the product transfer to 1 December 2024, refund the overpayment and pay simple interest on the refund.

Virgin didn't agree to apply a lower interest product to Mr and Mrs K's account or to pay compensation for their upset about missing out the lower interest rate available in October 2024. It said Mr and Mrs K didn't miss out on the lower rate due to an error by Virgin. Virgin offered £150 as an apology for not writing to Mr and Mrs K in November 2024 to confirm their new monthly payment.

I sent a provisional decision to explain why I thought Virgin's offer to put things right was fair and reasonable in the circumstances.

Mr and Mrs K didn't agree. Mr K said if they'd received the letter in November 2024 they'd have been able to re-mortgage elsewhere or negotiate a better rate with Virgin. He said the impact was about £2,000 to £3,000. Mr K said he had no record of Virgin crediting the account with £360 and this was the first he'd heard of this. He says he can't see the credit on his annual mortgage statement.

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 and Mrs K's interest rate product was due to expire on 1 December 2024. The mortgage offer said the SVR would apply from 1 December 2024.

Virgin allows customers to secure new interest rate products up to six months in advance. It allows customers to switch if better products become available before the product takes effect.

Mr and Mrs K applied for and accepted a new product in July 2024, via a broker. They applied for several products after this, when better interest rates became available. They applied for a 4.12% fixed interest rate product in mid-October 2024.

Virgin says it didn't put the 4.12% product in place because it didn't receive the signed acceptance form from Mr and Mrs K.

Each time an application was submitted on behalf of Mr and Mrs K, Virgin wrote to the broker saying "*If your client wants to go ahead with the product transfer, they just need to sign the Offer Acceptance Form that we've sent them…They need to return the signed Offer Acceptance form to us by post or email (ptdocs@virginmoney.com).*"

Virgin message to the broker went on to say "*We will send you an email upon receipt of your clients acceptance form and another once we set the case to complete. If you do not receive these emails then we have not received the acceptance form, so please keep an eye out*".

I think Virgin made it clear that it needed to receive the signed acceptance form. Mr K provided a copy of the form, to show they'd signed it. This doesn't prove that it was posted and safely delivered to Virgin.

Virgin is entitled to make a commercial decision about its processes – such as how customers accept new products. Mr and Mrs K could have returned the signed acceptance form by post or email. While it's unfortunate that the form they posted didn't arrive safely, I don't think it's fair to find, without evidence, that this was due to an error by Virgin.

Virgin didn't know Mr and Mrs K had posted the form and it hadn't arrived. The broker didn't check that the product had been secured – despite not receiving emails confirming this.

There's no evidence that Virgin did receive the acceptance form and failed to process it. I don't think it would be fair for it to put the product in place when it hadn't received the acceptance form. Mr and Mrs K might have decided not to take out a new product. For instance, if they'd decided to re-mortgage or sell the property and didn't want to pay an early repayment charge (ERC).

I don't think it would have been fair for Virgin to put in place one of the interest rate products

Mr and Mrs K had previously applied for and accepted in 2024. Virgin told Mr and Mrs K that making a new application would cancel these products and Mr and Mrs K were entitled to rely on this. They might have decided not to take out a new product with Virgin.

Virgin provided a copy of the form that the broker submitted on behalf of Mr and Mrs K to apply for a new product. This says "*The new offer will invalidate and replace the original offer that was issued*". It's reasonable for Virgin to expect the broker to explain this to Mr and Mrs K.

Mr K says the reference to "original offer" in the information sent to the broker must be to the offer they accepted in July 2024 (the first of the product offers). Mr K also says when they accepted the offer in July 2024 this created a binding contract which couldn't be invalidated by subsequent offers.

Ultimately only a court can decide whether a contract is valid and binding. My role is to decide what's fair and reasonable in the circumstances. It's not clear to me if Mr K is saying that once they accepted the July 2024 offer this was binding on both parties and they couldn't switch, even if a better rate became available. Or if he's saying that the subsequent applications only cancelled the July 2024 offer, not any later products they'd accepted. It does seem that Mr K's conclusion from his own arguments is that Virgin wasn't entitled to charge the SVR.

I'm sorry to disappoint Mr K but I can't fairly agree with this. As I said, I think Virgin provided clear information that applying for a new product would invalidate prior offers. I think Mr and Mrs K were aware of this. I can't see why they'd have applied for further products after mid-July 2024 (about 10 in total) if they didn't expect to take them out instead of the previous product they'd applied for.

Mr and Mrs K made a payment by direct debit in early December 2024 at the SVR. It was this payment that alerted them to the fact that no product was in place.

Mr and Mrs K took out a new product in mid-December 2024. Virgin applied the product with effect from mid-December 2024 and credited Mr and Mrs K's account with an interest credit of about £360. Virgin provided records of the account which shows the interest credit on 16 December 2024.

I'm sorry Mr K didn't know this had happened. It's possible Mr and Mrs K's annual mortgage statement simply shows how the account looked after it was adjusted for the new product rate. Mr and Mrs K could consider contacting Virgin or their broker if they are unsure about this.

While the complaint has been with us, Virgin discovered it had made an error. It didn't send a letter to Mr and Mrs K telling them what their monthly payment would be from December 2024, when their mortgage went onto the SVR. Virgin says it usually sends letters confirming the new monthly payment between the 7th and 10th of the month prior.

If Mr and Mrs K had received this letter, it might have prompted them to check that the product they'd applied for in October 2024 was in place. When they discovered it wasn't, they might have chosen a new product from those available in November 2024. It's possible they'd have been able to do this in time for the product to be in place by 1 December 2024.

However, I don't think this would have put Mr and Mrs K into a better position than the offer made by Virgin. That's because Virgin confirmed that the equivalent product available in November 2024 had the same interest rate as the product Mr and Mrs K took out in December 2024.

Mr K said if they'd received the letter in November 2024 they'd have been able to negotiate with Virgin from a position of strength. I think it's unlikely Virgin would have agreed to put the product Mr and Mrs K applied for in October 2024 in place. They'd missed the deadline to return the acceptance. Virgin didn't agree to put the product in place when the problem came to light in early December 2024. I don't think Mr and Mrs K's negotiating position would have been much different in November 2024.

Mr K also said if they'd received the letter in November 2024 they'd have had time to go into the market and put in place a competitive mortgage with another provider, or use this to negotiate a better deal with Virgin. He says this would have provided substantial savings.

While Mr K says a different lender is currently offering a better rate than Virgin that doesn't mean it offered better rates than Virgin in late 2024. Mr and Mrs K would have had a very short time to secure a new mortgage before going onto the SVR. They couldn't have been certain when a re-mortgage would complete.

I'm not persuaded, on balance, that Mr and Mrs K would have risked being on the SVR while they re-mortgaged. Or that they'd have been able to secure a mortgage at a sufficiently better rate to make the risk of being on the SVR for an unclear amount of time worthwhile. I think if they had the option to remortgage at a rate that would provide them with substantial savings they'd have done this in December 2024.

Virgin offered to back date the product transfer to 1 December 2024. It says it will refund the overpayment and pay interest at 8% simple on the refund.

Mr and Mrs K didn't accept Virgin's offer. They want Virgin to apply the product they applied for in October 2024 to their mortgage: this product has a lower interest rate than the product they took out. I don't think it's fair and reasonable to require Virgin to do this. Mr and Mrs K had to return the acceptance form for the product they applied for in October 2024 by 27 October 2024. Virgin's error (not sending the letter about the new monthly payment) wasn't the reason they missed this deadline.

Virgin recently changed its product switch process, so that the switch is automatic. That doesn't mean Virgin made an error when it previously required customers (including Mr and Mrs K) to sign and return an offer acceptance form. Lenders are entitled to change their processes from time to time.

Mr and Mrs K complain about the way Virgin dealt with their complaint. Virgin sent its final response nine weeks after receiving their complaint. It was only after the complaint came to us that Virgin discovered it had failed to send a letter to Mr and Mrs K confirming the new monthly payment.

I think Virgin has made an offer which fairly puts this right. Taking all the circumstances into account, I think Virgin's offer to back date the product transfer to 1 December 2024 is fair and reasonable. It will refund the overpayment and pay interest at 8% simple. I'm not persuaded that Mr and Mrs K would be in a better position than this if they'd received a letter in November 2024 about their new monthly payment. Virgin also offered £150 compensation as an apology for not sending the letter to Mr and Mrs K confirming their new monthly payment. I think that's fair and reasonable in the circumstances.

My final decision

My decision is that I uphold this complaint and order Clydesdale Bank Plc trading as Virgin Money to:

- back date the product transfer to 1 December 2024, refund the overpayment and pay interest at 8% simple on the refund from 1 December 2024 to the date of the refund;
- pay £150 compensation to Mr and Mrs K.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mrs K and Mr K to accept or reject my decision before 25 October 2025.

Ruth Stevenson
Ombudsman