

The complaint

Mr and Mrs H said that Bank of Scotland plc trading as Halifax kept writing to them to tell them the interest rate on their mortgage was going down, but at the same time, asking them to pay more each month. They feared many bank customers would be paying too much.

What happened

Whilst this complaint is brought by both Mr and Mrs H, as the mortgage is in both their names, our dealings have been with Mr H. So I'll mainly refer to him in this decision.

Mr H said his Halifax mortgage tracks the Bank of England base rate, so the interest rate is subject to change. In September 2024, Halifax wrote to him to tell him that, because the underlying interest rate had fallen, his mortgage interest rate would reduce. But he said his monthly mortgage payment actually went up. Mr H said he contacted Halifax, and it manually recalculated his mortgage and paid compensation.

Mr H said he thought this was just a one-off glitch, but then in November 2024 it happened again. Halifax told him his mortgage interest rate was being reduced, so his monthly payment would be recalculated, but again the payment actually went up quite significantly.

Mr H said he complained, and Halifax told him he actually had to pay a little less than he'd been paying before. But Mr H said this was much less than Halifax had first asked for.

Mr H said he'd sought an explanation of why, when his mortgage interest rate was going down, Halifax kept asking him to pay more, not less. And he said Halifax had told him that when it was recalculating his mortgage, it wouldn't take into account any direct debit payment that was due that month, but hadn't yet been paid. This affected Mr H's mortgage, because he pays towards the end of each month.

Mr H said Halifax was, effectively, basing his mortgage calculation on the assumption that he would miss a payment, which he thought was fundamentally wrong. He said he's never missed a single mortgage payment, in all the time he's held this mortgage. And the calculation Halifax was doing also meant it was asking him each time to overpay his mortgage, which again he thought was unfair.

Mr H said that fortunately, he was aware enough to monitor his mortgage payments and ask Halifax to manually adjust his payments each time. But he thought many vulnerable or less financially capable mortgage holders were probably being impacted, without knowing it. And it was inconvenient to need to contact the bank every time his mortgage was reworked, knowing it would always be wrong.

What Mr H wanted was for Halifax to confirm it would change its processes, so it was no longer forcing anyone who pays their direct debit later in the month, to pay more each month towards their mortgage. He said he didn't want compensation, just to know the mortgage system was going to start working the way it should.

Mr H then contacted us again, to say a recent rate cut of 0.25% had triggered a request by

Halifax for an increase in his monthly payment of over 10%. So he thought things were getting worse, and Halifax's explanations couldn't be right.

Halifax said its previous explanation was right. When the monthly payment is recalculated, its mortgage system uses a projected balance for the end of the month. And that balance doesn't allow for any monthly payments which have not yet been collected. So if someone is due to pay later in the month, like Mr and Mrs H, Halifax's system won't assume that payment is going to be made. And that, in turn, means that any new monthly payment may be slightly higher than expected.

On the issue of Mr H having been asked recently to pay much more, as a result of a recalculation, Halifax said this was because one of the sub accounts on this mortgage was due to end very soon. That meant that not allowing for a payment later in the month had much more of an impact, as Halifax's system then said Mr H would need to pay off the remaining four months of this mortgage in three, not four, payments. That's what had caused the unexpectedly large increase recently.

Halifax said Mr and Mrs H's payments would always have been reduced once that sub-account was paid off. They wouldn't have been asked to keep paying that much higher amount, for the remaining term of the other sub-account.

Halifax said it had put this right for Mr and Mrs H, each time they contacted it, and it had twice made payments of £30 to say sorry for the inconvenience. It said they could change the timing of their payment each month if they wanted to, which might be easier than ringing each time the interest was changed.

Halifax told us it couldn't just do these recalculations at the end of the month instead, because it had to be able to give borrowers the required 14 days' notice of a change in the amount taken by direct debit. But it said it had noted Mr H's feedback about this, and whilst it couldn't promise changes, it would take this into account.

Our investigator didn't think this complaint should be upheld. She thought that Halifax was acting in line with the terms and conditions of this mortgage, so she couldn't ask it to change what it was doing. Mr H didn't agree. He said the terms required Halifax to take account of payments due later in the month, and it wasn't doing that. He also said he'd asked about changing his direct debit, but Halifax wasn't able to help him to do that without either paying twice out of one paycheck, or increasing his monthly payment.

Mr H also queried how the terms that our investigator had quoted could be relevant to him, because they post-dated his mortgage. Our investigator checked with Halifax, who explained that Mr and Mrs H had agreed to these new terms in 2015, as part of a new offer they accepted at the time.

Because no agreement was reached, this case then came to me for a final decision. And I then reached my provisional decision on this case.

My provisional decision

I issued a provisional decision on this complaint and explained why, having received further information on Halifax's plans, I didn't propose to uphold it. This is what I said then:

When this case came to me, I asked Halifax which part of the terms and conditions it thought was relevant here. It has pointed me to a separate provision on working out the amount of the monthly payment, which doesn't mention whether Halifax will or will not

take account of payments due later in the month. So Halifax didn't think it was in breach of the terms of this mortgage.

Halifax also said it explains, in the rate change letters it issues, not only how it has worked out the new payment, but also how people can get that payment changed if they've been affected by the issue Mr H complained about. Halifax said it didn't think that what it was doing created unfair outcomes.

But Halifax said it had taken on board feedback about its existing calculation method, and did recognise that a different way of working things out might be preferable. Halifax said it was already working to implement this, and hoped to have it in place soon. In the meantime, it would ensure Mr H's payments were adjusted if another interest rate change happened before the new calculation could be put into effect for all customers.

When this complaint first came to our service, Mr H said he didn't want Halifax to pay compensation. What he wanted was for Halifax to listen to feedback, and change this system, particularly for more vulnerable or less attentive customers who might not complain each time and have their payments reset. I hope that he will be pleased to see that Halifax really has taken on board what he's said, and does now plan to make changes to its system.

In the meantime, I note that Halifax has committed to contacting Mr and Mrs H, and making sure their monthly payments aren't artificially inflated by the existing calculation method, for any interest changes that happen before the new calculation arrangements are put into effect. (I should clarify that I'm not able to require Halifax to do that for all customers, I have to confine my decision here to the effect of these issues on Mr and Mrs H.)

So Halifax has now committed not only to changing the method of monthly payment calculation that Mr H complained about, it has also committed to making sure Mr and Mrs H in particular are not adversely affected before the change comes into effect. Having considered what Mr and Mrs H said they wanted, and what Halifax has now committed to doing, I do think that Halifax has now provided a fair and reasonable outcome to this complaint. So I won't ask it to do more than this.

That does mean this complaint won't be upheld, because I'm not asking Halifax to do more. Mr and Mrs H might like to know that if this provisional decision is confirmed, our service will record not only that this complaint was not eventually upheld, but also that Halifax changed its position on this case after Mr H asked us to intervene.

I invited the parties to make any final points, if they wanted, before issuing my final decision. Both sides replied.

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.

Halifax said it had nothing to add to what it had previously said, and it accepted my provisional decision. Mr and Mrs H replied to acknowledge the provisional decision. But they wanted to know how Halifax's offer would be enforced and monitored, especially if this complaint wasn't upheld. They wanted to know what requirements on timescale and communications to customers, Halifax would be subject to.

I recognise that Mr and Mrs H would wish our service to ensure that Halifax makes good on what it has promised. But when I wrote my provisional decision, I noted that I have to confine my decision to the effect of these issues on Mr and Mrs H. And that's why I've not required Halifax, in my decision, to make the sweeping changes for all customers, which it has told us it is implementing. The changes Halifax has told us it is implementing for all its customers, go beyond what I'm fairly and reasonably able to require as a result of this case.

I should say that I have no reason whatsoever to think Halifax will not make the changes that it has promised. However, I am confident that if this change is not, in fact, introduced, Mr and Mrs H will be aware of this, and will be most disappointed by that. So, whilst I do not anticipate this will be necessary, I would note that this is something our service would be able to consider, in a future complaint.

I'll now make the decision I originally proposed.

My final decision

My final decision is that, in view of the revised position of Bank of Scotland plc trading as Halifax which is set out above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H and Mr H to accept or reject my decision before 1 December 2025.

Esther Absalom-Gough
Ombudsman