

The complaint

Mr S and Miss P complain about how The Royal Bank of Scotland Plc, trading as The One Account, has treated them since it agreed to extend their mortgage term in 2022. They say RBS unfairly instructed solicitors and put pressure on them to pay more, despite them making the agreed payments.

What happened

Mr S and Miss P opened a “One Account” with RBS in 2008. The One Account is a current account mortgage or secured bank account. The account operated in such a way that Mr S and Miss P could draw money from the account and make repayments to it as and when they wanted, as long as they kept the balance within the facility limit.

Mr S and Miss P initially had a facility limit of £152,250. The account was set up with a term of 23 years and interest was to be charged at a variable rate – initially 6.7%. On completion of the mortgage, Mr S and Miss P drew on the account up to the facility limit. The facility limit was to automatically reduce each year to bring the balance to £0 by the end of the term.

Unfortunately, Mr S and Miss P have faced financial difficulties over the years for several reasons. Because of this they weren’t always able to make the required monthly payment in full or on time and the mortgage balance has exceeded the facility limit for several years as a result. Mr S and Miss P therefore needed to clear the excess and bring the account within the facility limit.

Miss P no longer lives in the property but has, as I understand it, continued to contribute to the mortgage payments.

By April 2022 the excess, while it had reduced in recent months, was around £13,700. RBS was looking to put in place an arrangement for Mr S and Miss P to clear the arrears within 24 months. It said it couldn’t change the account to a standard mortgage due to the arrears.

Meanwhile, due to the automatic facility limit reducing and Mr S and Miss P’s payments not being enough to bring things back on track, the excess grew further to around £18,000. RBS continued to ask Mr S and Miss P to pay more towards the arrears.

Later in 2022 Mr S asked to discuss other potential options to reduce the monthly payment. RBS agreed to extend the term and sent a change agreement to Mr S and Miss P. Based on a term of 19 years 10 months, a facility limit of £87,750 and a variable interest rate of 4.65%, the agreement said:

“IMPORTANT INFORMATION ABOUT YOUR MORTGAGE

- The amount of your Facility that is drawn is £104,605.90
- Based on your current balance, the new monthly amount you will need to leave in your account will be approximately £683.00”

Shortly after extending the term, RBS contacted Mr S and Miss P and said their monthly

payment of around £700 wasn't enough, as it wouldn't clear the facility excess. Mr S and Miss P agreed to make payments of £1,000 each month.

The facility reduced to £85,250 in December 2023. RBS said a new arrangement was needed due to interest rates increasing. It discussed income and expenditure with Mr S and noted there was a deficit of £254. Therefore, a plan wouldn't be affordable. RBS advised Mr S and Miss P to continue to pay when they could to reduce the excess and to stay in touch.

Breathing space was applied in May 2024 and RBS didn't charge interest – Mr S and Miss P paid £800 as it was all they could afford that month. They reverted to paying £1,100 at the beginning of June. A short time later, RBS decided to instruct solicitors because of the facility excess.

Mr S and Miss P asked why RBS had instructed solicitors despite them making monthly payments. RBS said it'd done so due to high arrears and because they'd been unable to reach a formal arrangement. Mr S and Miss P were unhappy with this as they'd been told that following the term extension, they'd be able to make affordable payments. They thought the arrears would now form part of the mortgage but instead the term extension hadn't done anything, and they'd unfairly incurred legal fees. They asked RBS to listen to the phone calls they'd had about the term extension.

RBS said the term extension had reduced the minimum monthly payment. And its specialist team had agreed to proceed with this on the basis Mr S and Miss P made payments of £1,000 each month, even though that wouldn't clear the excess within 24 months. It hadn't, and was unable to, include the arrears in the mortgage due to it being a One Account. RBS reviewed the account in December 2023 and noted payments of £1,000 would no longer be sufficient. From this point Mr S and Miss P made monthly payments of £1,100, but due to some payments being missed the excess had increased. RBS therefore decided to instruct solicitors and didn't agree it'd acted unfairly. Mr S and Miss P didn't agree, so they asked the Financial Ombudsman Service to look into their complaint.

Our Investigator recommended the complaint should be upheld. She felt RBS ought to have helped Mr S and Miss P move to a standard mortgage following the term extension and, in doing so, it should rework their account to give them the best available interest rate from that time. She also said it should refund any legal costs and associated charges and interest and pay Mr S and Miss P £500 to compensate them for the distress and inconvenience caused.

RBS didn't respond. Mr S and Miss P didn't accept the Investigator's view and asked for a review. I reached a similar outcome to the Investigator but for different reasons. And I also reached a different view on how things should be put right. So, I issued a provisional decision.

My provisional decision

I said:

“I'm very sorry to hear about the challenges Mr S and Miss P have faced over the years, particularly with their health and the impact that's had on their lives. I've thought very carefully about everything they've said when making this decision.

During a call that took place on 10 October 2022 where RBS said it could extend the mortgage term, it explained that the minimum payment wouldn't include the facility excess so Mr S and Miss P would need to factor that in. It acknowledged that Mr S and Miss P would be unable to clear the excess within 24 months, as it'd usually expect, because they didn't have sufficient affordability.

RBS said that Mr S and Miss P could potentially move from the One Account to a standard mortgage, which might be beneficial to them. But when it checked this, it said that while the account was in excess/arrears they wouldn't be able to switch to a standard mortgage. Mr S said he was hoping the minimum payment would include the excess. RBS said that it would usually require the excess to be repaid in 24 months, but Mr S and Miss P should just pay as much as they could afford to. And so long as they meet the minimum payment then RBS wouldn't take further action.

During a call later in October, RBS said an arrangement needed to be set for Mr S and Miss P to repay the excess following the term extension. Mr S asked why the term extension agreement says they should budget for a payment of around £700. RBS explained the purpose of the term extension was to reduce the monthly payment and the second part of the process is for the excess to be brought down within the agreed limit. Mr S questioned this as this isn't what was in the correspondence sent to him, and he'd calculated that the monthly payment just for the facility limit itself would be less. RBS said that if Mr S and Miss P continued making payments of £1,000, they'd repay the excess in around 56 months. It said that before the term extension, clearing the excess would have taken a lot longer.

I consider that the information RBS provided about the term extension and how it would work was, at times, conflicting. On the one hand, Mr S and Miss P were told if they make at least the minimum payment then RBS wouldn't take further action. On the other, they were being told they'd need to agree an arrangement to pay more each month to ensure the excess was cleared long before the end of the extended term. And later, RBS started litigation action because Mr S and Miss P weren't clearing the excess as quickly as it would like. I consider this was unhelpful to Mr S and Miss P, being given the expectation that they'd only need to maintain the minimum payment, only to be told within just weeks that this wasn't the case. I'm not persuaded RBS has acted fairly in taking litigation action when it did, either. I'll explain why.

Using an online mortgage repayment calculator, I can see that RBS included repayment of the full outstanding balance including the arrears when calculating the minimum payment. This is known as capitalisation and means the monthly payments would ensure that the capital balance (including the arrears) would be repaid by the end of the extended mortgage term. It's a forbearance option that lenders can offer, where appropriate, to help their customers bring things back on track, where it's appropriate to do so.

Despite this, RBS still treated the arrears as being outstanding and still reduced the facility limit each year in line, it seems, with the original mortgage trajectory. This means that despite Mr S and Miss P making additional payments to clear the arrears it would continue to become more difficult for them to catch up, because each time the facility limit reduces it increases the arrears position. In fact, it's difficult to see how Mr S and Miss P would ever catch up when considering this unless they paid considerably more, which is something they're unable to do and the reason for extending the term in the first place.

I appreciate repaying the mortgage more quickly will lead to Mr S and Miss P paying less interest overall, but I consider that RBS has put them under unnecessary pressure to make higher payments than they needed to. As I've explained above, the minimum payment alone would ensure the balance, and the now capitalised arrears would be repaid by the end of the extended term. And I think it's evident that while Mr S and Miss P have been paying over £1,000 each month, they are finding it difficult to do so.

In summary, RBS has extended the mortgage term and capitalised the arrears, even if it hasn't treated Mr S and Miss P's mortgage in that way. When considering Mr S and Miss P's circumstances I'm persuaded these forbearance measures, had they been applied in the way I've described without the need for additional payments, would have been appropriate. I, therefore, provisionally require RBS to correctly apply and backdate these forbearance measures as part of a package of support.

I consider there's more RBS could have done to help Mr S and Miss P bring things back on track in 2022 alongside extending the term and capitalising the arrears – particularly when considering their vulnerabilities. I don't currently see any reason why RBS couldn't have moved Mr S and Miss P to a standard mortgage at the time as well. The reason it said it couldn't do this in 2022 was because of the excess/arrears, but that would have been cleared by the capitalisation when the mortgage term was extended – something I've determined would have been reasonable at the time. Mr S and Miss P had also been making regular payments in excess of the minimum payment required following the term extension. And RBS had considered their income and expenditure and had decided that the mortgage over an extended term would be affordable.

Agreeing to a standard mortgage would have given Mr S and Miss P access to other rates, including fixed rates, instead of the One Account's variable rate. A fixed rate would mean their monthly payments would stay the same for a set period, helping them to manage what they needed to pay and giving them some certainty during that time. It would also continue to give them access to new interest rate deals going forward. And, alongside the term extension, I'm persuaded this would have helped Mr S and Miss P bring their mortgage back on track, without the need for them to pay more than the contractual monthly payment.

I'm satisfied that if RBS had offered fair, reasonable and appropriate forbearance, taking into account the individual circumstances, that further collections activity – including regularly seeking higher payments – and legal action would not have been necessary. And so, I intend to require RBS to refund any costs, charges and associated interest that have been added to this mortgage because of collections activity and litigation.

While I appreciate RBS extended the term of the mortgage to try and help Mr S and Miss P, I consider it has handled the situation poorly, and without considering the bigger picture. These actions haven't just led to Mr S and Miss P incurring financial loss, they've explained in detail how RBS's actions have impacted them emotionally, as well as impacting their physical and mental health over a period of more than two years. They were under a prolonged period of pressure from RBS – something that I consider, for the reasons I've explained above, could have been avoided.

Due to the sensitive nature of what Mr S and Miss P have told us, I won't share all that information in this decision. I have, however, thought very carefully about this and I'm satisfied RBS's actions have caused Mr S and Miss P to experience substantial avoidable distress, inconvenience and worry, over a long period. I think a

fair way to recognise the impact of RBS's actions is for it to pay Mr S and Miss P £1,500 compensation.

Putting things right

It's difficult to know now exactly what would have happened if RBS had offered appropriate forbearance in 2022 and it isn't possible to undo everything that's happened or the impact it's had. I'm also unable to punish or fine RBS as that isn't the role of this Service. I can, however, decide what it should do to put things right. Having considered everything carefully, I provisionally consider the fairest way to do that now is for RBS to:

- Change Mr S and Miss P's One Account to a standard mortgage.
- Arrange an appointment with an RBS mortgage adviser for Mr S and Miss P to discuss and decide which interest rate they would have been eligible and applied for in October 2022. RBS should then apply and backdate that interest rate product.
- If the initial product would have already ended by the time it's put in place, Mr S and Miss P should have the opportunity to also discuss and pick the product they would have taken on expiry of the first product. And RBS should also apply and backdate that product to the date the first product would've expired.
- Remove all legal costs, charges and associated interest from the account that have been applied since October 2022. It should also cancel any ongoing litigation action and not apply further costs associated with the legal action.
- Rework the mortgage balance to take account of these changes. It should then give Mr S and Miss P the choice of:
 - Applying any overpayments to reduce the balance of the mortgage and recalculating the monthly payment (this will reduce the required monthly payment and the amount of interest that'll be charged); or,
 - Having any overpayments refunded to them directly along with 8% simple annual interest* and recalculating the monthly payment (this will increase the mortgage balance, the amount of interest charged, and the monthly payment required compared to the first option above).
- Pay Mr S and Miss P a total of £1,500 to compensate them for the distress and inconvenience caused.

*If RBS considers that it's required by HM Revenue & Customs (HMRC) to deduct tax from the interest refund, it should tell Mr S and Miss P how much it has taken off. It should also give them a tax deduction certificate if they ask for one, so they can reclaim the tax from HMRC if appropriate."

I invited Mr S and Miss P and RBS to let me have any further comments or evidence they wanted me to consider before I make my final decision.

RBS accepted my provisional decision and asked for Mr S and Miss P to confirm which interest product they would like it to backdate. It also confirmed, as has Mr S, that Mr S and Miss P's One Account has recently been changed to a standard mortgage. So that part of what I intended to require RBS to do has already been completed.

Mr S and Miss P also accepted my provisional decision and have chosen – from the list provided by RBS – a five-year fixed rate of 3.69% with a product fee of £995 to be applied to their mortgage and backdated. However, they have also raised the following points, in summary:

- They say they asked for a rate switch before 2022 and would like me to ask RBS to provide copies of call recordings to evidence this.
- When changing their mortgage to a standard one recently, Mr S and Miss P noted that £1,400 of fees and charges were included in the redemption figure. RBS has since refunded around £600 of these fees and charges. This is less than they were expecting so they've asked me to determine what's happened.

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.

As both parties have accepted my provisional findings, I see no reason to change my mind. I will, however, update what I require RBS to do to put things right – both because Mr S and Miss P have now chosen a product to be backdated, and because the One Account has already been changed to a standard mortgage.

Although I haven't changed my decision, I'll respond to Mr S and Miss P's additional points for completeness and because I hope it'll be helpful.

I note Mr S has queried a recent partial refund of legal fees they've received of around £600. It's unclear whether that refund has come about because of my provisional decision, or if it's something that was instigated by the standard remortgage process which took place recently. Either way and as set out in my provisional decision, I require RBS to remove all legal costs, charges and associated interest from the account that have been applied since October 2022 if it hasn't already done so – and if Mr S and Miss P accept my final decision. It should also confirm to them the amount it has removed and/or refunded.

If, after RBS has processed the settlement, Mr S and Miss P remain concerned about any remaining legal costs that were applied before October 2022, they would need to raise that as a separate complaint with RBS. If they wish to refer that complaint to this Service after RBS has issued its final response (or once eight weeks have passed from the date they complain, if sooner) then they may be able to do so under a new reference.

In this decision, I have focused on what's happened since 2022 because this is in line with the complaint that was brought to this Service, and which RBS has had the opportunity to respond to. If Mr S and Miss P remain concerned about not being offered a new interest rate product prior to 2022, they would – as with the other issues referred to above – need to raise that as a new complaint. Mr S has asked me to request copies of call recordings that took place over the years from RBS to help them raise those concerns. But I don't consider it'd be reasonable for me to do that as it isn't information which I deem is necessary for me to decide on this complaint. If Mr S and Miss P wish to request that information, they'd need to raise this with RBS directly.

I appreciate Mr S and Miss P feel strongly about what's happened regarding their mortgage with RBS. And I understand that some of what I've said above may come as a disappointment to them. But I hope that my final decision will help them to draw a line under what's happened and that it will help them to move forward.

My final decision

My final decision is that I uphold this complaint and require The Royal Bank of Scotland Plc trading as The One Account to do the following (if Mr S and Miss P accept my final decision):

- RBS should apply the fixed rate Mr S and Miss P have chosen to their mortgage and backdate that interest rate product to October 2022. The five-year fixed rate product they've chosen is due to end on 31 January 2028 and will replace the more recent fixed rate that'd been applied to Mr S and Miss P's mortgage.
- It should remove all legal costs, charges and associated interest from the account that have been applied since October 2022. It should also cancel any ongoing litigation action and not apply further costs associated with the legal action.
- RBS should rework the mortgage balance to take account of these changes. It should then give Mr S and Miss P the choice of:
 - Applying any overpayments to reduce the balance of the mortgage and recalculating the monthly payment (this will reduce the required monthly payment and the amount of interest that'll be charged); or,
 - Having any overpayments refunded to them directly along with 8% simple annual interest* and recalculating the monthly payment (this will increase the mortgage balance, the amount of interest charged, and the monthly payment required compared to the first option above).
- Pay Mr S and Miss P a total of £1,500 to compensate them for the distress and inconvenience caused.

Compensation should be paid within 28 days of the date that Mr S and Miss P accept this decision, if they do. If compensation is not paid within 28 days, Royal Bank of Scotland Plc should also add simple annual interest of 8% running from the date of acceptance to the date of payment*.

*If RBS considers that it's required by HM Revenue & Customs (HMRC) to deduct tax from the interest refund (if applicable), it should tell Mr S and Miss P what it has deducted so that they can reclaim the tax from HMRC if eligible to do so.

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

Keith Barnes
Ombudsman