

The complaint

Mrs T and Mr T complain that Clydesdale Bank Plc trading as Virgin Money increased the interest rate on their buy to let mortgage without giving them prior notice. Mr T asks for the interest to be removed from the balance.

What happened

Mr T and Mrs T took out a buy to let mortgage with Virgin in 2017. The mortgage was on an interest only basis with a term of five years. The term expired in July 2022 with an unpaid balance. Mr T and Mrs T didn't make interest payments after that. Virgin started action for possession.

Mr T says Virgin didn't send notice of interest rate increases to him or to Mrs T. He says this is required by the mortgage terms and conditions. Mr T says without prior notice a rate increase is invalid. Mr T says he'll repay the amount he borrowed but not any interest. It seems the mortgage was redeemed in May 2025.

Virgin said it stopped sending correspondence to Mr T and Mrs T's address because it was returned marked "gone away". It said Mr T didn't provide an updated address until recently.

Our investigator said Virgin hadn't made an error, and it was entitled to apply interest to Mr T and Mrs T's mortgage in accordance with the mortgage terms and conditions.

Mr T didn't agree and asked that an ombudsman reconsider the complaint.

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.

We provide an informal dispute resolution service. I'm not required to respond to each point raised by the parties. What I must do is explain my reasons for reaching my decision about what's fair and reasonable in the circumstances.

When Mr T and Mrs T took out the mortgage they agreed to pay interest. They chose a fixed interest rate product that was in place until mid-2019. Mr T and Mrs T took out a new fixed interest rate product in 2020. The fixed interest rate applied until 30 June 2022, when the mortgage term also expired. After this the bank's offset variable investment housing loan rate applied. This was set out in the mortgage illustration issued in 2020 for the product switch.

Virgin says it didn't write to Mr and Mrs T about changes in the interest rate after the term expired in June 2022. But I can't agree that Mr and Mrs T weren't made aware that the variable rate would apply. The mortgage illustration issued in 2020 (for the product switch) says the variable rate will apply after the product term expires.

Mr T says the mortgage terms don't allow Virgin to increase the interest rate without first notifying him. He's basing this on wording in the product offer. I think the wording Mr T refers

to is about changes to the monthly payments, rather than the interest rate. The product offer also says "Any change in the interest rate will be notified at the earliest opportunity in accordance with the Mortgage Terms and Conditions".

We asked Virgin for a copy of the mortgage terms and conditions. These say Virgin can vary its variable interest rate at any time. They say the change will take effect immediately or from the next scheduled payment date or the date set out in the Offer if this is different. They say Virgin will give notice of any increase in the interest rate as soon after the change as reasonably practicable.

I can't fairly agree with Mr T that Virgin isn't able, under the mortgage terms and conditions, to increase the interest rate without prior notice.

I don't think matters would be different if Virgin had written to Mr T after the term expired, to notify him of changes in interest rates. Mr T made no payments after June 2022. He didn't respond to other letters from Virgin or try to get in contact with Virgin about making payments or repaying the balance.

I think Virgin is entitled to apply interest to Mr T and Mrs T's mortgage balance, including after the mortgage term expired.

Virgin tried to get in contact with Mr and Mrs T after the mortgage term expired. It wrote to them at their address in its records until mid-2023. It sent letters to Mr T and Mrs T about the arrears (the unpaid interest) and the need to repay the mortgage in early to mid-2023. It's records show this. I don't think it's fair to expect Virgin to provide proof of postage and/or delivery for each letter it sends.

Virgin says letters sent to Mr T and Mrs T's address were returned, and it stopped sending letters to Mr T and Mrs T from mid-2023.

Virgin didn't have an up to date correspondence address for Mr T. Continuing to send letters to his previous address could put his financial information at risk. I think it was right that Virgin stopped sending letters to Mr T. While Mr T says he sent an email with his new address, Virgin says it has no record of receiving this and it wouldn't amend an address based only on an email. Once Virgin made contact with Mr T, he asked for correspondence to be sent to the security property. As this is a buy to let property, I don't think Virgin should have changed Mr T's correspondence address to the security property before he asked for this. Virgin would reasonably have expected a tenant to be living in the property.

Mrs T updated her correspondence address in mid-2023. Virgin says it didn't send letters to her after this. Since the complaint came to us, Mrs T has raised concerns about this. Her complaint is different to the complaint that was raised by Mr T. Mrs T should first raise her concerns with Virgin and give it an opportunity to respond.

I don't think Virgin's failure to send correspondence to Mrs T after she updated her address makes a difference to the outcome of this complaint, about whether Virgin is entitled to apply interest to the account. Mrs T accepts that the situation regarding the unpaid interest wouldn't have changed. She didn't say she was trying to make interest payments or put forward a proposal to repay the debt. Virgin's solicitors did write to Mrs T at her correct address, and she was aware of the legal action for possession.

This is a buy to let mortgage, so the rules on mortgage regulation don't apply in the same way as for a regulated residential mortgage. Letting property is a business and Virgin is entitled to expect Mr T and Mrs T to manage the mortgage accordingly. This includes updating their contact details, maintaining interest payments and arranging for the balance to

be repaid on or before the term expires. If Mr T and Mrs T needed information to manage the mortgage (such as how much interest they needed to pay each month) they could have contacted Virgin.

Mortgage interest rates, including the variable rate applied to Mr T and Mrs T's account, increased from late 2022. Mr T and Mrs T didn't make any interest payments after mid-2022 when the term expired and, as a result, the balance of their mortgage increased. This wasn't due to an error by Virgin. It's because unpaid interest was added to the balance.

It seems the mortgage has been repaid. I don't think it's fair and reasonable to require Virgin to waive or refund any interest.

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 Mrs T and Mr T to accept or reject my decision before 12 March 2026.

Ruth Stevenson
Ombudsman