

The complaint

Mr and Mrs B's complaint relates to their mortgage they hold with Yorkshire Building Society ("YBS"). They're unhappy that the interest rate products that were available to them, as existing customers, had higher interest rates than the products that were available to new customers. They say that YBS is treating existing customers unfairly.

What happened

Mr and Mrs B have a mortgage with YBS which had a preferential interest rate product that was due to end on 30 September 2025

As the expiry date approached, Mr and Mrs B looked at the options available to them for a new interest rate product. They weren't happy that the products available to them as existing customers were higher than those YBS offered to new customers. Mr and Mrs B complained about this.

YBS responded to the complaint on 3 September 2025. It said new customer products typically include introductory benefits and are available when joining the Society, and it said it also offers a range of competitive rates for its existing members. It said, to ensure fairness and consistency, it was unable to apply new business rates to existing customers.

Mr and Mrs B referred their complaint to our Service where it was looked at by one of our Investigators. He didn't recommend that the complaint be upheld, explaining that a lender offering different rates to different types of borrowers, was not inherently unfair, as long as it could demonstrate that the products offered fair value. And he said he was satisfied from the information provided by YBS that the products offered did represent fair value.

Mr and Mrs B didn't agree and so the case was passed to me to decide.

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.

The key issue in this case is the fairness of YBS offering different interest rate products to different groups of customers. I don't think there is anything inherently unfair in a lender choosing to do that, or that it is expressly prohibited by law or the rules and regulations – including the Consumer Duty – that apply.

Mr and Mrs B have said that YBS offering them a product with a higher rate of interest than that available (on an equivalent mortgage) to a prospective new borrower, means that YBS is not treating them fairly.

Under the Consumer Duty, YBS is required to ensure that its products offer fair value, and that's something I've taken into account in determining the outcome of this complaint.

Delivering fair value isn't just about the price (eg the interest rate charged) of a product, but broader considerations such as a product's benefits, features, costs and target market. The

Financial Conduct Authority provided specific guidance on differential pricing in relation to the Consumer Duty in FG22/5¹. This guidance says, at chapter 7, paragraph 7.38:

'The price and value outcome rules do not require firms to charge all customers the same amount. Differential pricing between new and existing customers in the form of clear, transparent up-front discounts for either set of customers is not prohibited by the Duty.'

It goes on to say that firms should however consider whether their prices offer fair value to various groups of customers, including whether vulnerable customers could be disadvantaged. Fair value means comparing the cost of a product to its benefits, not comparing one product to another.

The guidance is clear that firms need not offer the same prices to all their customers. Firms should, however, be able to show how they have considered whether the products they offer represent fair value. With that in mind, we've asked YBS to explain why it considers the interest rate it offered to Mr and Mrs B represented fair value. I note that Mr and Mrs B have commented on the fact they haven't seen a copy of this assessment, but I'm satisfied it's appropriate for me to receive it in confidence, as permitted by our rules, subject to providing a summary of it. This is covered in our rules at DISP 3.5.9R(2)².

In summary, YBS considered a range of factors. They included the product's benefits (such as the ease with which an existing customer could switch to a new mortgage deal quickly without an assessment of affordability or legal or valuation fees – compared with the costs and inconvenience of moving to a new lender), price (bearing in mind comparable products in the marketplace), and its costs in providing the rates. I've also noted that the rates YBS offered are broadly in line with what Mr and Mrs B could have obtained by moving their mortgage elsewhere. Having carefully considered everything, I am satisfied that YBS acted fairly in offering the rates it did to Mr and Mrs B.

Mr and Mrs B have said that YBS's products don't fulfil the guidance cited at paragraph 7.38 because they don't portray clear, transparent up-front discounts. Mr and Mrs B say customers need to see the differential pricing on a single screen (that is, both the rates available to new customers and the rates available to existing customers), and there's no reasonable excuse for segregating the products in the way YBS does.

I've considered that point very carefully, but I'm not persuaded by it. There's nothing in the Consumer Duty that says a lender must show all the products it offers on one screen, irrespective of whether or not that individual customer is eligible for them. In fact, it could be argued that providing details of products that a customer isn't eligible for (whether that be because they are only available to new customers, or only available to customers with a different loan-to-value ratio) could lead to a consumer not having their communication needs met and the firm not supporting its customers in pursuing their financial objectives. That's because a firm should help its customers navigate the information it provides, making it easy for consumers to identify the key information and their available options. Including details of all the products it offered but for which they weren't eligible risked causing confusion.

YBS treated Mr and Mrs B the same as all other customers with the same characteristics, that is an existing customer seeking a product switch at that time with the relevant loan-to-value. I am satisfied, taking into account what YBS has said about why it concluded the products offered to Mr and Mrs B represented fair value, that Mr and Mrs B were treated

¹ <https://www.fca.org.uk/publication/finalised-guidance/fg22-5.pdf>

² <https://handbook.fca.org.uk/handbook/disp3>

fairly in the rates made available to them. I'm not persuaded that YBS was required to offer them the same rates it would offer to new customers.

I would also note that Mr and Mrs B had the option to look at what else was available in the wider market and change lender if they weren't satisfied with the products offered by YBS.

For these reasons, I don't consider that YBS treated Mr and Mrs B unfairly in not offering them interest rate products it had available to other groups of customers or in not agreeing to reduce their interest rate when they complained.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs B to accept or reject my decision before 29 April 2026.

Julia Meadows
Ombudsman