

The complaint

Mr M is unhappy that Bank of Scotland Plc trading as Halifax reduced his contractual monthly mortgage repayment (CMP) due to overpayments made in the previous year. He did not want this to happen and wants to continue making payments at the previous rate. Mr M also believes Halifax's actions are in breach of the Consumer Duty.

What happened

I don't need to set out the full background to the complaint. This is because the history of the matter is set out in the correspondence between the parties and our service, so there is no need for me to repeat the details here. In addition, our decisions are published, so it's important I don't include any information that might lead to Mr M being identified. So for these reasons, I will instead concentrate on giving a brief summary of the complaint, followed by the reasons for my decision.

Mr M has a mortgage with Halifax. In 2019 he arranged to make overpayments to his mortgage of £310 per month.

Halifax allows customers on fixed interest rate products to make overpayments of up to 10% per annum without incurring an early repayment charge (ERC). This is calculated on 10% of the mortgage balance annually. The mortgage terms and conditions explain that overpayments will reduce the interest charged, but don't reduce the term. If the customer's aim is to reduce the term, Halifax requires the mortgage contract to be amended, for which an application would be required.

In March 2024 Halifax wrote to Mr M explaining that the CMP would decrease. This was due to overpayments having reduced the capital balance, so the new repayment was calculated to ensure the mortgage would be repaid by the end of the contractual term.

Mr M complained, saying he didn't want this. Halifax explained that the terms and conditions of the mortgage permitted the bank to do this, but the bank offered to revert the mortgage to its previous CMP or, alternatively, conduct a term review with a mortgage adviser to reduce the mortgage term. However, the CMP would be recalculated at the next annual instalment review.

Dissatisfied with Halifax's response, Mr M raised his complaint with our service. An Investigator looked at what had happened but didn't think the complaint should be upheld. She was satisfied Halifax's offer to reinstate the previous CMP until the next review was fair. Mr M asked for an Ombudsman to review the Investigator's findings.

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.

I won't set out all the various terms and conditions which apply here; the Investigator set them out in detail, so there's no need repeat them here. I'm satisfied Mr M would have

received the mortgage booklet with the terms and conditions, which includes Halifax's entitlement to recalculate the CMP.

I'm satisfied the terms and conditions explain that overpayments will not result in a reduction of the mortgage term, but that any reduced balance will be used to recalculate the CMP. Halifax's terms say *"Any recalculation of your new monthly payment will include the overpayments. This means that if you only pay the new monthly payment, your loan will be repaid over your existing mortgage term."*

The *"Information about your mortgage"* booklet says that Mr M could make annual overpayments of up to 10% of the mortgage balance each year as a concession without incurring an ERC, but that Halifax may recalculate the CMP based on the current balance and the remaining mortgage term. Therefore if overpayments had been made, the CMP would go down. This is supported by the mortgage conditions.

Mr M is on a fixed rate, so I can understand why he was surprised when he was told his CMP would reduce. Halifax has said that it introduced the recalculation to comply with the Consumer Duty, which came into effect in July 2023. The recalculation means Mr M would not be paying more than he needed to repay the mortgage in his chosen mortgage term.

I consider that to be reasonable, because there is the potential harm to consumers whose payments are higher than they need to be. This is how Halifax has chosen to interpret the Consumer Duty rules. But there is also a requirement under the Consumer Duty to enable and support customers to meet their financial objectives.

Mr M has said that his objective was to pay the amount that was agreed when he took out the mortgage. His understanding was that the CMP would stay the same, and he could make overpayments of up to 10% per year of the outstanding balance.

Notwithstanding this, I consider Mr M's objective has to be balanced against the terms and conditions of the account, which allow Halifax to recalculate payments in this way and only allow an overpayment of up to 10% of the mortgage balance each year. The mortgage is at a fixed rate of interest, not a fixed payment. Furthermore, if Mr M was to maintain the original CMP *and* make overpayments, he could exceed his overpayment allowance, and thus incur an ERC on any overpayments over 10% of the account balance.

In the circumstances, I consider Halifax's offer to reinstate the previous monthly payment until the next annual recalculation is a fair way to settle the complaint. I think that this balances Halifax's rights under the mortgage and its genuine aim to protect consumers against Mr M's objectives to reduce his capital balance.

Halifax has explained that if Mr M wants to maintain the higher repayments and reduce the mortgage term, it will be necessary for him to speak to a mortgage adviser. I appreciate that he doesn't want to do this, but making overpayments will have an impact on the mortgage balance, and in turn the potential for an ERC to become payable where overpayments are made that exceed the annual 10% allowance. Therefore, if Mr M continued to make the previous CMP, even if the monthly repayment had been recalculated, he would be at risk of incurring an ERC due to exceeding the annual 10% overpayment limit.

Consequently, whilst I acknowledge Mr M is unhappy about Halifax reducing his CMP, I'm not persuaded it has acted unreasonably. Furthermore, I'm satisfied Halifax has offered Mr M a temporary solution, and a way forward to see how he can meet his objectives, both of which I consider to be fair.

My final decision

My final decision is that I don't uphold this complaint.

This final decision concludes the Financial Ombudsman Service's review of this complaint. This means that we are unable to consider the complaint any further, nor enter into any discussion about it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 6 May 2026.

Jan O'Leary
Ombudsman