

The complaint

Miss B complains that Principality Building Society moved the mortgage she holds jointly with her ex-partner onto a new fixed interest rate without her agreement.

What happened

Miss B and her ex-partner have a joint mortgage with Principality. Their relationship ended several years ago, and I understand that Miss B's ex-partner lives in the mortgaged property and makes the mortgage payments.

The mortgage was on a fixed interest rate which was due to end in early 2023. In March 2023 Principality issued an offer for a new fixed rate product – a five-year rate of 4.65% until 29 February 2028. The rate switch completed soon afterwards.

In July 2025 Miss B called Principality and found out that the mortgage was on a fixed rate. She said she hadn't agreed to this, she had told Principality that she didn't want a new rate, and she had understood that the mortgage was on the standard variable rate (SVR). She made a complaint.

Principality accepted that Miss B had told it she wanted the mortgage to remain on the SVR and no changes to be made, and that it shouldn't have completed the rate switch. But it said it didn't think reversing the rate switch would be the right solution. It said it would waive the early repayment charge (ERC) on the mortgage for 12 months to give Miss B and her ex-partner time to complete a transfer of equity, remortgage, or sell the property. After 12 months if the mortgage was still running it said it would remove the fixed rate and the mortgage would revert to the SVR. It offered Miss B £25 compensation, which it increased to £150 following her referral to us.

Our Investigator recommended that Principality waive the ERC altogether, so that Miss B isn't financially disadvantaged if the property is sold. She said Principality's offer of £150 compensation is fair.

Miss B didn't say whether or not she accepted that conclusion, but Principality did not accept it. It said in summary that it would waive the ERC for a further six months, until January 2027, but waiving it for a further year until the fixed rate ends would be disproportionate and unfair.

The complaint was referred to me to decide. I reached a different conclusion to our Investigator, so I issued a provisional decision.

My provisional decision

I said:

“Principality has accepted that it shouldn't have applied the five-year fixed interest rate to the mortgage. It has provided a recording of a call Miss B made to it in January 2023, shortly before it issued the rate switch offer. I've listened to that call. Miss B rang

Principality because she had received a call from it – Principality had been trying to contact her about a rate switch the joint mortgage holder had asked for. Miss B told Principality on the call that she knew the existing fixed rate was due to end shortly, and she wasn't considering remortgaging because of the relationship breakdown between her and her ex-partner. She said she would prefer to leave the mortgage as it is. Principality then told her that it won't make changes to a mortgage when it knows about a relationship split until both account holders confirm they're happy with any changes.

Principality has said that it sent the rate switch offer documents to both Miss B and her ex-partner, and its system recorded both sets of documents as having been returned. It put the new fixed rate in place on that basis. It has also told us however that it can't now find any documents returned by Miss B. In the circumstances and given Miss B's consistent position that she didn't want a new fixed rate I think it very unlikely that she accepted the rate switch. Principality has also now accepted that. Miss B has told us that she wants the mortgaged property to be sold, and that's more likely to happen sooner if the mortgage is on Principality's SVR, which is higher than the 4.65% fixed rate.

I don't think that Principality should have applied the fixed rate to the mortgage. Miss B had told it she didn't want that to happen and I don't think she accepted the rate switch offer. However, Miss B's ex-partner is jointly and severally liable for the mortgage, and I understand that she is living in the mortgaged property and she – not Miss B – is paying the mortgage.

Miss B's ex-partner isn't party to this complaint, and it wouldn't be right or fair for me to tell Principality to remove the fixed rate from the mortgage given that she would be affected financially by that. The rate switch can't be unwound without prejudicing the other mortgage borrower – who is not party to this complaint – because doing so would result in the mortgage being subject to the higher SVR, and it's the other borrower, not Miss B, who has been making the mortgage payments.

The complaint I'm considering here is Miss B's complaint about how Principality has treated her and the impact that has had on her. The rate switch shouldn't have happened. The new rate didn't come with a product fee or any other fees that were added to the mortgage, so the mortgage balance for which Miss B is jointly and severally liable didn't increase as a result of the rate switch. It did however come with an ERC if the mortgage is repaid before March 2028.

The resolution Principality has proposed to this complaint is to allow the mortgage to remain on the current fixed rate until January 2027 and to waive the ERC if the mortgage is brought to an end before January 2027. It has said that gives Miss B and her ex-partner time to decide what to do with the property and arrange a transfer of equity, remortgage, or sale, and if the mortgage hasn't been repaid by January 2027 it will end the fixed rate at that point and put the mortgage on its SVR.

Principality has said that this represents a fair outcome and reflects the principles of the Consumer Duty because it's proportionate, fair, and avoids foreseeable harm. It hasn't however told us what consideration it has given to Miss B's ex-partner's interests in making this offer, or told us what she thinks of its proposal to remove the fixed rate earlier than set out in the 2023 rate switch offer.

In these circumstances it would be neither fair nor appropriate for me to endorse Principality's offer. To do so would be to prejudice the other mortgage holder, who is not party to this complaint, and could be both unfair and cause foreseeable harm. Removing the fixed rate early is something I would expect Principality to discuss with Miss B's ex-partner as well as Miss B. However, I understand why Principality considers it unfair that

it should waive the ERC for the duration of the fixed rate period – the ERC is intended to reflect the losses Principality would incur if the mortgage is repaid early, and it doesn't think Miss B should benefit from a fixed rate without having to pay an ERC if the mortgage is repaid early.

I think the extent to which Miss B is benefiting from the fixed rate is unclear. It does mean that less interest is added to the mortgage each month than would be the case if the SVR applied, and Miss B is jointly and severally liable for the mortgage. She would always have continued to be liable for the mortgage, whether or not a fixed rate was in place, and the fixed rate doesn't prevent Miss B and her ex-partner from deciding what to do with the property and how any equity should be divided.

Miss B isn't paying the mortgage, and she isn't therefore paying any of the interest – her ex-partner is. I can't fairly conclude that Principality should end the fixed rate early for the reasons I've already explained. But I can't fairly conclude either that Principality shouldn't be entitled to apply an ERC if the mortgage is repaid before the fixed rate ends. One of the features of the fixed rate deal is that an ERC is payable if the mortgage is brought to an end early.

It may not be fair for Miss B to pay all or part of an ERC if one is applied to the mortgage, given that she told Principality she didn't want a new fixed rate deal – but that is at present a hypothetical and not an actual loss, since it's far from certain that the mortgage will be repaid during the fixed rate period, triggering an ERC. In these circumstances I think that any complaint about the ERC is one to be made should an ERC be charged. Until – and if – that happens, it's not a matter that needs to be decided or about which I can reach a fair and reasonable conclusion.

For these reasons, I can't fairly conclude that Principality should remove the fixed rate early, either now or in 2027, or that it should waive the ERC. It's for Miss B and her ex-partner to resolve the question of what happens to the mortgaged property and any equity, with legal advice if necessary. If an ERC is charged because all or part of the mortgage is repaid during the fixed rate period, Miss B can make a complaint about it at that point if she's unhappy.

Principality has said it has now noted on the account that it will require both Miss B and her ex-partner to agree to any changes in future – I think that's fair and I hope it will be of some reassurance to Miss B.

I think Principality's offer of £150 compensation is fair to reflect the upset and frustration Miss B was caused as a result of finding out a change had been made to the mortgage against her wishes.”

I asked Miss B and Principality to let me have any further comments or evidence they wanted me to consider before I make a final decision.

Miss B didn't accept my provisional decision. She didn't think £150 is fair compensation for Principality making a change to her mortgage without her permission and for the emotional impact this has had.

Principality accepted my provisional decision, but asked me to note that it had given Miss B the option of keeping the mortgage on the fixed rate to the end of its term.

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.

Having done so, while I realise this isn't the outcome Miss B hoped for, I've come to the same conclusion I set out in my provisional decision, for the same reasons. I recognise Miss B feels strongly that a change shouldn't have been made to the mortgage without her agreement, and I agree with her. But I still think £150 is fair compensation for the impact of Principality's mistake.

Miss B wants the mortgage to be brought to an end, but I can't intervene in a dispute between borrowers. The fixed interest rate would have made the mortgage payments lower and therefore more affordable. That means there's less risk of the mortgage going into arrears, and Miss B hasn't been prejudiced in terms of her liability for the payments as a joint borrower. However, the fixed rate doesn't mean the property can't be sold, it doesn't affect Miss B's ability to press for a sale as part of any financial settlement between her and her ex-partner, and it doesn't mean she will receive less equity if the property is sold.

There's no basis on which I can reasonably conclude that Miss B has lost out financially at present because Principality put the fixed rate in place. A loss may arise if the property is sold during the fixed rate period and an ERC is triggered – but that hasn't happened and so it isn't a loss I can make an award for now.

My final decision

My final decision is that Principality Building Society should pay Miss B £150 as it has offered to do and if it hasn't done so already.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 14 May 2026.

Janet Millington
Ombudsman