

complaint

Mrs S complains that her mortgage with Clydesdale Bank Plc should have completed by now.

background

Mrs S got a mortgage with Clydesdale. As she had an endowment policy maturing of £30,000, she wanted to clear her mortgage balance with that and she was told she could do that in 2012. She paid her endowment policy towards her mortgage early in 2007 but found that the mortgage didn't terminate in 2012. She is still paying off the balance. Our adjudicator did not consider that it was reasonable for Mrs S to believe that the mortgage would terminate in 2012. However, our adjudicator recommended that the complaint be partly upheld as the offset accounts which were part of this mortgage had not been applied. Mrs S disagreed saying in summary that the higher payments she was making and the £30,000 should have reduced the length of time of the mortgage.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Mrs S says that she already had a mortgage to end in 2012. She met an adviser with Clydesdale and asked for a mortgage ending in 2012 and with a final balance of £30,000 to be paid from an endowment policy. She says the adviser recommended an offset mortgage. The adviser did a calculation and told Mrs S that on the basis of the payment structure in the new mortgage, if she paid £30,000 in 2012 Mrs S could either clear the mortgage or continue making payments until the mortgage terminated. Mrs S says she made the £30,000 payment in 2007 and expected this to shorten the term further. Mrs S found out in 2012 that the mortgage wasn't cleared and since then found out that the offset wasn't applied to the mortgage.

Clydesdale says that the mortgage provided to Mrs S was meant to meet her requirements set out in a fact find of May 2006. It says that Mrs S had an existing mortgage ending in 2018 and the new capital and interest mortgage had the same term. The bank says that the mortgage allowed overpayments and that Mrs S had intended using this to reduce the balance of her mortgage. The bank believes that the mortgage that was set up matched Mrs S's requirements. The bank agreed that it hadn't set up the offset accounts properly and offered to rectify that error and pay compensation of £300.

When Mrs S met with the bank's adviser to discuss the mortgage, the bank produced illustrations given to Mrs S showing how the mortgage was intended to operate (KFIs) to help Mrs S make a mortgage decision. I have seen 3 such KFIs. Two are dated 3 November 2005. One is for a mortgage term of 10 years and one for a mortgage term of 12 years. The third one is dated May 2006 for a loan of £180,000 over a term of 12 years and this is the basis of the mortgage offer which Mrs S accepted. The mortgage assumes that Mrs S will pay 144 monthly instalments of £1,705.39. Over a period of 12 years the KFI says that she would have to repay £246,019.98. Mrs S says that she was told that if she made those payments for 6 years, she would then only have to pay £30,000 to discharge the mortgage. But if I do a simple calculation on the basis of the KFI, it would suggest that after 6 years there would still be an amount to pay of about £123,000. So it's clear that £30,000 would not be enough to discharge the balance due.

Mrs S clearly recalls that the Clydesdale adviser had access to a programme which showed that if Mrs S made these payments, she could discharge the mortgage with a final payment of £30,000 in 6 years. Unfortunately, she does not have a copy of that Illustration to support her. But I have to consider that Clydesdale in a number of KFIs and a mortgage offer fairly set out for Mrs S how much she was likely to pay over 12 years so that she could make an informed choice about accepting the mortgage or not. I do not believe that Mrs S could reasonably assume from those KFIs or the mortgage offer that making the monthly payments together with a payment of £30,000 would clear the mortgage in 6 years. So, unfortunately, I cannot agree with Mrs S that Clydesdale mis-sold her a mortgage.

Clydesdale has accepted that it failed to apply the offset accounts against Mrs S's mortgage. This must have been an upsetting experience for Mrs S and added to her disappointment that the mortgage was going to continue. However, I do consider that the compensation offered of £300 is appropriate. I note that Clydesdale has offered 2 options for payment of the offset interest and I will leave the choice of the option to Mrs S.

my final decision

My decision is that Clydesdale Bank Plc should apply the offset accounts correctly on Mrs S's mortgage and pay her compensation of £300. Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 29 December 2015.

Gerard McManus
ombudsman