

complaint

Mr L complains that Bank of Scotland plc (BOS) hasn't explained why the outstanding balance on his mortgage is so high. He finds the information it's provided about the payments he needs to make confusing. He would like BOS to reduce the balance to the original £35,100 he borrowed in 1989.

background

Mr L has a stabilising mortgage with BOS. This means when he took the mortgage out in 1989 (for a 23-year term), he was able to decide how much the monthly payment he made would be. If the payments weren't enough to cover the interest, the account would be adjusted to add the extra money owing. Mr L was initially paying £166.25 a month. This wasn't enough to cover the interest on the mortgage. In 1993 arrears started to accrue. In 2002 the arrears were consolidated with the existing loan. In 2012 Mr L's fixed interest rate on the mortgage was reduced from 10% to 4.69%.

When Mr L complained to BOS in 2014, it realised that it had made a mistake in calculating the interest on his mortgage account. So even though he had been making the payments BOS had told him he needed to make, between 2002 and 2012 further arrears of £3,002.61 had built up. A further £129 had accrued since 2012. BOS waived the arrears and paid Mr L £400 for trouble and upset.

In his letters of January and June 2015 the adjudicator did not think that the complaint should be upheld.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I've taken careful note of Mr L's further comments since the adjudicator's letter.

I have some sympathy with Mr L over the confusion with the balance of his mortgage. It was made up of two parts, a capital account (£28,000) and a current account (£7,100) – and there were issues as to the arrears and the increase in the mortgage balance. The interest was deferred (and compound interest applied on the capital account), which would have had the effect of reducing the mortgage balance. However, when the interest was added, the balance would increase.

BOS accepted its error in calculations and has waived the arrears of £3,000. It has also paid £400 for trouble and upset. Since the adjudicator's first letter it has agreed to provide Mr L with an updated mortgage statement and confirmation of future mortgage payments. It has also provided Mr L with a contact for future communications. He is able to make his payments by direct debit rather than standing order, if he prefers.

Part of the confusion may have been caused by the impact of the Department for Social Security (DSS) contributions – which are paid every four weeks - on the *monthly* mortgage payments. Its contribution is £93.28, but the monthly mortgage commitment is £191.34, so there is a shortfall each month. The mortgage balance exceeded £46,000 in June 2015, because the monthly payments have been insufficient since 2002.

For all these reasons I am satisfied that BOS has now made the necessary corrections to the mortgage account and there are no errors in the current balance and monthly payment.

my final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 30 December 2015.

Charles Sweet
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