

The complaint

Mr and Mrs I complain that they were unable to draw additional borrowing on their mortgage with Bank of Scotland plc (trading as Halifax) due to an IT error. They ask that Halifax allows them to take out the additional borrowing at the same interest rate.

What happened

Mr and Mrs I successfully applied for additional borrowing in September 2021. They were told they could draw the funds by signing into the online borrowing hub at any time before 28 February 2022. When they tried to draw the funds in early February 2022 they were unable to do so. They received an email from Halifax suggesting there was a problem with the property valuation and asking them to get in contact.

Halifax said the application had been amended by Mr and Mrs I, which put it back to the pre-offer stage. Halifax said Mr and Mrs I needed to correct the information in the application, which would return it to full offer status, or re-apply online or via an advised process. Halifax said as this was an execution only application staff members can't access it or intervene to release funds.

Mr and Mrs I said they hadn't changed the application and the system wouldn't have allowed it even if they'd wanted to. Mr I said once the application was submitted the boxes were all inactive other than the "request funds" box. This also meant they couldn't have made a keying error.

Mr I said he shouldn't have to spend time re-applying and wouldn't get the same rate for the borrowing. Mr and Mrs I said they'd had to borrow from a relative, but need to repay this.

We asked Halifax to look into the matter again. After doing so, it said the problem could be a system issue or an applicant change. However, it said there was no evidence Mr I had amended the application when he went in to request funds. It said the problem was with the loan amount – something it said an applicant can't change after the offer is issued. Halifax apologised for having given inaccurate information previously.

I issued a provisional decision, which was substantially along the same lines as below. The parties agreed how the complaint should be resolved.

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.

Where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

Mr and Mrs I received an offer of additional borrowing in September 2021. Mr I called Halifax in early February 2022 after trying to draw the funds. He'd received an email saying he

needed to contact Halifax and suggesting there was a problem with the valuation (although as Mr I says the email didn't make sense). Halifax didn't know what had gone wrong. Halifax said Mr I would have to review and correct the application – which the system didn't allow him to do – or start a new application. It suggested the problems were caused by Mr I making changes to the application after the offer.

Halifax has apologised for providing incorrect information previously. It can't provide a complete explanation for what happened.

Based on the available evidence, I think the error that prevented Mr and Mrs I drawing the loan was most likely due to an error in Halifax's system. Halifax says the problem was due to a change in the loan amount. It said that applicants can't change a loan amount once an offer is generated. And Mr I has told us he couldn't have made changes as the boxes are inactive other than those used to request the funds.

Mr and Mrs I weren't able to draw the loan funds. They say they had to borrow money from family members, which they need to repay. Mr I asked that Halifax honours the loan offer, without them having to re-apply and at the same interest rate. Or if they have to make a new application it should compensate them for the time spent and apply the agreed rate.

I think Mr I's request is reasonable. It wasn't Mr and Mrs I's fault that they couldn't draw down the loan funds in February 2022, or that it's taken until now for the matter to be sorted out. While they could have made a new application in February 2022 they wouldn't have secured the same interest rate product.

I said in my provisional decision that I couldn't fairly require Halifax to provide a loan – which will be secured on Mr and Mrs I's home – without carrying out affordability checks. There could have been a change in their circumstances since they applied for the loan in 2021. I said Mr and Mrs I would need to complete an application, and this should be done with an adviser, to ensure the matter progresses smoothly.

However, Mr and Mrs I have recently completed an application. They asked that Halifax applies the product rate to this application, which Halifax agreed to do. In order to do this, the parties will need to take the following steps:

1. Mr and Mrs I will drawdown the funds via their most recent online application (this has a higher product rate attached).
2. Halifax will apply the product rate set out in the offer dated 30 September 2021 to the borrowing and backdate this to the date the funds were drawn. It will adjust the account accordingly – for instance to remove any additional interest accrued while the higher rate applied and refund any overpayments. Halifax says it will need up to two weeks to do this.
3. After completing step 2, Halifax will write to Mr and Mrs I to confirm the product is in place and their monthly payments.

This matter will have caused upset and inconvenience to Mr and Mrs I. Mr I called Halifax several times and it couldn't explain or sort out the problem. They had to borrow money from family members, which likely caused some embarrassment and further inconvenience. Mr I had to persist with a complaint before Halifax investigated the matter properly. And Mr and Mrs I have spent time making a new application. I think for this inconvenience Halifax should pay compensation of £500.

My final decision

My decision is that I uphold this complaint. I order Bank of Scotland plc to take the steps and pay the compensation set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs I and Mr I to accept or reject my decision before 14 December 2022.

Ruth Stevenson
Ombudsman