

## **The complaint**

Mr and Mrs N complain that Bank of Scotland plc trading as Birmingham Midshires (BM) gave them misleading information when they tried to extend the term of their buy to let mortgage to allow them to take a new interest rate.

## **What happened**

Mr and Mrs N have a buy to let mortgage with BM. In early 2023 the mortgage was approaching the end of a fixed rate period and Mr and Mrs N wanted to take a new rate. But their broker couldn't make an application on their behalf as there was only around a year left on the term of the mortgage.

Mr and Mrs N therefore contacted BM to request a term extension to allow them to take a new rate. This was necessary because the minimum fixed rate term is around two years and an interest rate can't run for longer than the term of the mortgage.

Mr and Mrs N spoke to BM's "end of term" team – agents who deal specifically with mortgages approaching the end of their term. BM was initially unwilling to grant an extension. But Mr and Mrs N explained that they would have difficulty in either selling or re-mortgaging the property because it was affected by combustible cladding which hadn't yet been remediated. So BM agreed a term extension of one year to allow them to take a new interest rate.

At the same time, BM told Mr and Mrs N that their mortgage payments would increase because of the term extension. This wasn't correct, as BM now acknowledges. This is an interest only mortgage so the length of the term impacts the amount of interest paid overall but not the monthly payment. The actual reason the monthly payment was due to increase was because of the expiry of the old fixed rate – Mr and Mrs N hadn't made an application for a new rate by that point because they were waiting for the term extension to go through.

Because of the wrong information about the increasing payments, Mr and Mrs N decided not to go ahead with the term extension and complained. BM explained the correct position and agreed to implement the term extension. It also said it would backdate the new interest rate, once Mr and Mrs N had selected and applied for one, by one month so they wouldn't lose out because of the delay caused by the confusion around the payments. BM also offered £50 compensation.

Mr and Mrs N's broker then applied for a new interest rate on their behalf. He also applied for a term extension for a further ten years. This hadn't been possible before, because where a term has less than a year to run BM doesn't allow term extension applications without speaking to the end of term team. Once the end of term team had extended the term to two years, this restriction no longer applied, so Mr and Mrs N's broker was able to apply for a longer extension. This was granted.

Around this time BM sent Mr and Mrs N an automated arrears letter. In fact, they weren't in arrears and the letter shouldn't have been sent. BM acknowledged this and explained it was due to a systems error. BM increased its compensation offer from £50 to £150.

Mr and Mrs N weren't happy with the compensation offer and brought their complaint to us. BM then offered to increase the compensation to £200. Our investigator thought that was a fair offer. Mr and Mrs N didn't agree and asked for an ombudsman to review their complaint. They thought £200 for each of their complaints – not £200 in total – would be fair compensation.

### **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.

First of all, I'm pleased to see that the substantive issues between Mr and Mrs N and BM have been resolved. Mr and Mrs N have been able to extend the term of their mortgage and have secured a new interest rate. And BM has made sure they're not out of pocket because the start of the new interest rate was delayed by the confusion about the increase in the monthly payments. I'm therefore satisfied that Mr and Mrs N haven't suffered any financial loss, and all that remains at issue is the amount compensation that's appropriate for the distress and inconvenience BM caused.

There's guidance on fair awards for compensation on our website<sup>1</sup>, which I've taken into account.

The guidance says that an award of up to £300 might be appropriate where:

“an error has caused the consumer more than the levels of frustration and annoyance you might reasonably expect from day-to-day life, and the impact has been more than just minimal...”

An award between £100 and up to £300 might be suitable where there have been repeated small errors, or a larger single mistake, requiring a reasonable amount of effort to sort out. These typically result in an impact that lasts a few days, or even weeks, and cause either some distress, inconvenience, disappointment, or loss of expectation.”

I've taken into account what Mr and Mrs N have said about the frustration and upset they were caused. They say they had to pay higher interest for a month (although that was later refunded). They had to spend hours of unnecessary time on the phone trying to sort things out. They were distressed that they might not be able to keep their mortgage payments down to an affordable level when they had no other options because of the cladding. They were worried by the arrears letter and whether BM had also made errors on their credit files. The letter threatened legal action. They also said they hadn't received responses to their complaints BM said it had sent them. They didn't think £200 was enough to recognise the impact this had or the stress and anxiety it caused.

I'm satisfied BM sent the final responses to the correct address, and I don't think I can reasonably hold BM responsible if they weren't correctly delivered by the postal service. However, I agree that BM's errors caused Mr and Mrs N unnecessary worry and stress, as well as the inconvenience of having to sort things out. This was a series of issues over a few weeks which caused upset and inconvenience and took a reasonable amount of effort to sort out. I'm satisfied that an award in the “up to £300” band is appropriate here, and so I think BM's offer of £200 compensation is fair.

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<sup>1</sup> <https://www.financial-ombudsman.org.uk/businesses/resolving-complaint/understanding-compensation/compensation-for-distress-or-inconvenience>

**My final decision**

My final decision is that Bank of Scotland plc trading as Birmingham Midshires has made a fair and reasonable offer to settle this complaint. It should pay Mr and Mrs N £200 in total (taking into account any payments already made).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs N and Mr N to accept or reject my decision before 11 March 2024.

Simon Pugh  
**Ombudsman**