

The complaint

Mr and Mrs P complain that Bank of Scotland plc (trading as Halifax) gave them incorrect information about the amount of their early repayment charge (ERC). Mr and Mrs P ask that Halifax waives or refunds the difference.

What happened

In January 2023 Mr and Mrs P contacted Halifax about taking out additional borrowing. They wanted to carry out work to their home. Halifax declined and they decided to re-mortgage with another lender. They asked Halifax about their ERC and it said it was 2% of the balance, about £2,700. This was incorrect. The ERC was 3%, which was about £4,000.

Halifax offered £500 for the upset caused by giving Mr and Mrs P incorrect information. Our investigator said that was fair. She said Halifax had given Mr and Mrs P correct information in the product transfer offer, their annual statements (including the annual statement issued in May 2023) and in redemption statements issued in March 2023 and in August 2023.

Mr P said the redemption statements were requested by the solicitor. And by the time they were aware of the higher ERC they'd already incurred costs related to the work to their house and based their financial planning on the information they'd been given. Mr P said they'd have still gone ahead with the work, but would have planned their finances differently.

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.

Mr and Mrs P took out a new fixed rate product in 2019. The product offer said an ERC, calculated as a percentage of the balance, would apply if the mortgage was repaid before January 2025. This was set out clearly in the product offer. Mr and Mrs P agreed to this when they took out the product.

Mr and Mrs P repaid the mortgage in September 2023 and Halifax was entitled, under the mortgage terms and conditions, to apply the ERC.

Mr and Mrs P say Halifax should waive or refund about £1,300 of the ERC. That's because it gave them incorrect information about the amount of the ERC in January 2023.

There's no dispute that Halifax made an error. It told Mr and Mrs P in January 2023 that their ERC would be about £2,700. It should have told them it would be about £4,000.

Mr P said they were given this information on a call and they shouldn't be expected to check what they were told. But, in fairness, I do need to take into account that Mr and Mrs P were given correct information about their ERC on a number of occasions.

Halifax sent a redemption statement to Mr and Mrs P in July 2023. They raised their complaint with Halifax a few days later. It seems likely this was when Mr and Mrs P realised the ERC was about £4,000.

But that's not the same as finding that Halifax hadn't given them correct information before this. It had sent them the product transfer offer, which set out the product terms including the ERC. It sent annual mortgage statements which set out the ERC, including the amount. And Halifax gave Mr and Mrs P correct information about the amount of the ERC after January 2023 and before they repaid the mortgage in early September 2023.

Halifax issued redemption statements in March 2023 and August 2023 to Mr and Mrs P's solicitors. These said the ERC was about £4,000. It's unclear if Mr and Mrs P's solicitor shared this information with them. However, Halifax sent an annual mortgage statement to Mr and Mrs P in early May 2023. This – like previous annual statements – set out the ERC. It said the ERC was about £4,000.

As I said, Halifax was entitled under the mortgage terms and conditions to apply the ERC. It had given Mr and Mrs P correct information about the amount of the ERC on a number of occasions. I don't think it's fair and reasonable in the circumstances to require Halifax to waive or refund part of the ERC because of its error in January 2023.

From what Mr and Mrs P said, they'd still have undertaken the building work if they'd been given correct information about the ERC in January 2023. And, presumably, they would still have needed to re-mortgage to fund this. While Mr P said they based their financial planning on the incorrect information he didn't provide evidence that this resulted in financial loss.

Nonetheless, this did cause Mr and Mrs P inconvenience and upset. After making plans they discovered the ERC was about £1,300 more than they'd expected. Taking all this into account, I think Halifax's payment of £500 compensation is fair and reasonable.

My final decision

My decision is that I do not uphold this complaint. That's because I think the compensation paid by Bank of Scotland plc (trading as Halifax) is fair and reasonable in the circumstances.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P and Mrs P to accept or reject my decision before 2 May 2024.

Ruth Stevenson
Ombudsman