

The complaint

Mr S has complained about when Bank of Scotland plc trading as Halifax took the first payment for his mortgage. Halifax took the payment on 10 August 2023, but Mr S thought he wouldn't need to pay until 1 September.

What happened

Mr S applied for this mortgage through an independent mortgage broker. The mortgage offer dated 17 May 2023 showed he was borrowing £179,999 over a 37-year term on a repayment basis.

The mortgage funds were drawn down on Friday 28 July, and Mr S completed on his property purchase on Monday 31 July.

Halifax wrote to Mr S on 29 July to confirm that his mortgage had started on 28 July. The letter said that the first payment would be collected on 10 August, and from September the payments would be collected on Mr S's preferred date of the 1st of the month.

On 1 August Mr S contacted Halifax and a complaint was raised as he wasn't expecting to make his first payment until 1 September.

HSBC responded to the complaint the following day, saying the first payment was correctly due on 10 August as there wasn't enough time to set up a direct debit to collect on 1 August.

Our Investigator didn't uphold the complaint. She said the mortgage offer contained a section about the first payment, and that said the first payment would be made in the month following completion and will be on the normal payment date, unless that was too soon after completion.

Mr S didn't accept our Investigator's findings and so the case has been passed to me to decide.

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.

Before I go any further, I should clear up some confusion there has been on this case. Halifax made reference to Mr S's mortgage completing on 28 July, whereas Mr S says it didn't complete until 31 July.

Halifax was right, Mr S's mortgage did complete on Friday 28 July. Mr S's property purchase may not have completed until Monday 31 July, but the mortgage funds were drawn down on the Friday which would have been at Mr S's solicitor's request. The mortgage completion date is the date the funds are drawn down and that happened on the Friday, not the Monday. So Halifax is correct when it says the mortgage completed on 28 July.

The terms of the mortgage were set out in Mr S's mortgage offer. Whilst the illustration part

mentions one payment of double being made, that was just an illustration based on various assumptions (such as that the mortgage would complete on the 1st of the month). Mr S's mortgage didn't complete on the 1st of the month.

The full information about when the first payment would be collected was set out later in the offer, in a section that said:

'Your first monthly payment

Your first monthly payment includes interest from the day we send the loan money to your conveyancer, plus your first monthly mortgage payment. Please look at the 'Amount of each instalment' section of the Mortgage Illustration. It sets out your first payment assuming your mortgage starts on the 1st of the following month. Your first monthly payment may be different as it depends on when your loan starts.

We collect your first payment the month after your mortgage starts. For example, if we release your loan in June, we collect your first payment in July.

Your first payment is collected on the day you choose unless we haven't been able to give you enough notice to collect it. When your mortgage starts, we write to tell you when your first and subsequent payments will be collected. For more information, including an example of how to calculate your first payment, please refer to the 'Information about your mortgage' booklet that we issue with mortgage offers.'

The 'Information about your mortgage' booklet said:

'When will you collect my first payment?

We always collect your first payment in the month after your mortgage starts. For example, if we release your loan in June, we'll collect your first payment in July.

When you applied for your mortgage, we asked you what day of the month you wanted to make your monthly payment. We'll collect your first payment on the day you choose, unless there are not enough days between when we release your loan and your chosen payment date. If this happens, we'll collect your first payment on the 10th of the month. If this is an additional borrowing or product transfer application we will continue to collect your payment on the same day as we do now.'

It then gave two examples, with example two being:

'Monthly payment date you choose is the 1st of the month.

We release the loan on 28 June.

We collect your first payment on 10 July.'

Other than the month being different, the scenario perfectly matched Mr S's mortgage as his loan was released on 28 July and the first payment was due on 10 August.

I can't see anything in the paperwork I have that Halifax, at any time, expressly told Mr S that if he completed at the end of July (whether that was the 28th or the 31st) that he wouldn't need to make a payment in August. Instead it was clear Mr S would need to make a payment in August, and the information booklet went so far as to give an example to show the payment would be on the 10th of the month for a mortgage that completed on the 28th of the month.

For all the reasons given I don't uphold this complaint.

Finally, I see Mr S has raised what he says was poor complaint handling on the part of Halifax. Having considered this point very carefully I don't uphold it. As I've already explained, the issue over the completion date wasn't a mistake by Halifax, and I'm satisfied the complaint handler understood the nature of Mr S's complaint so whether or not he had a copy of the original complaint to hand hasn't impacted how this was dealt with. A final response was issued the day after Mr S raised the complaint, and having considered everything I agree with the outcome Halifax reached in its response to the complaint.

My final decision

I don't uphold this complaint

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 15 April 2024.

Julia Meadows
Ombudsman