

The complaint

Miss T is unhappy that TSB Bank plc (trading as Whistletree) unfairly increased her monthly payments on her fixed rate mortgage.

What happened

In October 2022, Miss T switched her mortgage to a five-year fixed rate. She says she understood her monthly payments of £529.57 would stay the same during the five-year period. But Whistletree sent Miss T her annual mortgage statement in April 2023 which explained that her monthly payments had changed to £530.57 from 1 June 2023.

Unhappy with this, Miss T raised a complaint. She explained she wasn't made aware that her monthly payments could change while she was on a fixed rate. Miss T also complained that she didn't receive a call back she was promised.

Whistletree said they were satisfied they made Miss T aware of their annual reviews process when they wrote to her in January 2016. They explained their policies and procedures are in place to ensure that interest isn't over or underpaid for the duration of the entire mortgage term and that the balance will be repaid in full over the agreed mortgage term.

They also explained that when Miss T took out a fixed rate product, she was agreeing to fix the interest rate on the account and not the payments throughout the five-year period. They were satisfied that her monthly payment was recalculated correctly using the correct interest rate, the balance at the time and the remaining mortgage term. So, they didn't uphold this aspect of Miss T's complaint.

In relation to the failed call back, Whistletree explained their timescales were anytime between 24 to 48 working hours depending on the volumes of requests at the time. And although they note customers preferred call back times, the call back could happen anytime within the 48 working hours.

They said they'd listened to the call where the call back was promised and agreed that they didn't manage Miss T's expectations on when she'd receive a call back. They accepted their agent made it sound like the call back would happen during Miss T's preferred call back time. They also said that the agent didn't raise Miss T's dissatisfaction as a complaint on the call as they'd have expected, so they backdated Miss T's complaint.

They explained the agent had logged the call back request to the incorrect business area too, which meant it took them time to pass it to the correct department, but they were pleased that Miss T received a call back within their 48 working hour timescales.

They upheld Miss T's complaint about the service she received on the call and apologised for the distress and inconvenience she was caused. They also assured her that feedback would be provided to ensure any additional training could take place to improve their service in the future. They also offered £50 compensation.

Miss T remained unhappy and referred her complaint to our service. Our investigator said

that Whistletree had acted fairly. He explained that when Miss T agreed to a fixed rate, her rate shouldn't change but there are reasons why the payment itself may vary, even if the rate doesn't change. He was satisfied the letter Whistletree sent to Miss T in January 2016 was sufficient notification that the monthly payments may change and is supported by the terms and conditions of the mortgage account.

Miss T disagreed and asked for an ombudsman to consider her complaint. She explained she wanted more specific reasons as to why her monthly payment increased. Our investigator asked Whistletree to provide further clarity to help Miss T understand the reasons why her monthly payments changed.

Whistletree explained that when they carry out an annual review they take into account mortgage balance, interest rate, time in the month when payments are received and amounts of payments made per month. But they don't take into account the due date of a payment and assume that their customer will pay at the beginning of the month. Since Miss T pays nearer the end of the month, there's a small interest credit applied each month than if paid at the start. They were satisfied that the annual review correctly calculated Miss T's new monthly payment based on the considerations they explained.

They also gave an example of when a monthly payment might decrease following an annual review. If a customer makes an overpayment during the fixed rate period, their balance would be lower meaning their monthly payment would decrease. Our investigator shared this information with Miss T but she still wished for an ombudsman to consider her complaint, so it has been passed to me for a final decision.

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.

Essentially, on a fixed rate mortgage, the interest rate is fixed for a particular length in time. Generally speaking, the monthly payments will also remain the same for the period during when the interest rate is fixed but that's not always the case.

I've looked at whether Whistletree fairly changed the monthly payments on Miss T's fixed rate mortgage, and I'm satisfied they did. I'll explain why. Whistletree wrote to Miss T in January 2016 about changes they'd introduced to her mortgage account: The explained:

“Reviewing your monthly payments annually

To ensure your monthly payments remain on track in the future, we are introducing a new annual payment review to coincide with your annual mortgage statement. Please ensure you look out for this change in the future and make any amends to your payment amount as required at the time.”

So, I'm satisfied Whistletree notified Miss T that they'd be reviewing her monthly payments annually and this could change. Miss T says she wasn't made aware that the annual review would still apply when she changed to a fixed interest. But I'm satisfied the information she was given about annual reviews related to her mortgage account rather than a specific type of interest rate.

Although Miss T says she wasn't expecting her monthly payments to change as she'd signed up to a fixed rate, I can see the offer document set out that her monthly payments would be £536.45. But her monthly payment was revised to £529.57 when Whistletree received her acceptance declaration and applied the new fixed rate to her mortgage

account.

This is consistent with the explanation that Whistletree have given on how the monthly payments are calculated, as they take into account a number of factors, such as the balance of the mortgage account on the date the new fixed rate was applied.

The terms and conditions of Miss T's mortgage account also allows Whistletree to make changes to the monthly payment where it's fair and reasonable for them to do so. I've reviewed Whistletree's reasons for completing annual reviews and for changing Miss T's monthly payments and I'm satisfied these are fair and reasonable.

As such, the increase Whistletree made to Miss T's monthly payments following the annual review is in line with the terms and conditions of the mortgage account, as long as the interest rate remained fixed which I'm satisfied it did.

I know Miss T feels strongly about her complaint and would like specific reasons for why her monthly payments have changed. But I think Whistletree have given her sufficient explanation already.

I've listened to the call where Miss T was promised a call back. I think Whistletree have correctly recognised the failings in the level of service they provided. I'm satisfied they've fairly addressed this by apologising, passing feedback and paying £50 compensation for the distress and inconvenience caused to Miss T. So, I won't be asking them to do anything else to put things right.

My final decision

For the reasons explained above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 28 March 2024.

Ash Weedon
Ombudsman