

The complaint

This complaint's about a mortgage Mr C and Mrs G hold with Bank of Scotland Plc (BOS) trading as Halifax. There are three broad elements to the complaint; these are:

- BOS misled them about the timing of monthly changes to its valuation index forcing them to pay a little over £9,000 off the mortgage to reduce their loan to value (LTV) ratio and secure a better interest rate;
- they believed their original interest rate deal ran for five years when it was only two; and
- BOS charged interest at its standard variable rate (SVR) for one month before their new fixed rate deal took effect.

What happened

The broad circumstances of this complaint are known to Mr C and Mrs G and BOS; they've been set out in correspondence between both parties. I'm also aware that the investigator issued a comprehensive response to the complaint which has been shared with all parties, and so I don't need to repeat all of the details here.

Instead, I'll provide a brief summary of the key points, in my own words, rounding the figures, and then focus on the reasons for my decision. If I don't mention something, it won't be because I've ignored it. It'll be because I didn't think it was material to the outcome of the complaint.

Mr C and Mrs G took the mortgage out at the start of 2021, based on an offer issued in December 2020. It was for £370,000, repayable over 25 years, and on an initial fixed rate running until 28 February 2023.

During a phone conversation on 4 January 2023, BOS told Mrs G that the next update on its valuation index would happen on 11 or 12 January. The relevance of this was that their eligibility for new interest rate products was dependent on their LTV ratio. However, during their next call, on 10 January, Mr C and Mrs G were told the update had already taken place, and their house valuation had fallen by £11,000. In order to preserve their LTV ratio to secure the new rate they were aiming for, Mr C and Mrs G paid a little over £9,000 off the mortgage balance.

The new rate was being arranged through a third party intermediary; a broker firm I'll call JM. BOS issued a product transfer offer on 12 January 2023, for a five-year fixed rate of 4.34%. Mr C and Mrs G had until 28 February 2023 to accept the offer, and in fact they cancelled it. On 16 February 2023, BOS issued a follow-up product transfer offer, for a five-year rate of 4.14%. Again, the offer was valid until 28 February 2023, and again Mr C and Mrs G cancelled it.

On 10 March 2023, BOS issued a third product transfer offer; this was a fixed rate of 4.04%, running until 31 July 2028. Mr C and Mrs G had until 31 March 2023 to accept it; they did and the new rate took effect on 1 April 2023. However, because their existing fixed rate had expired on 28 February 2023, BOS charged interest for March 2023 at its SVR.

When Mr C and Mrs G complained, BOS accepted it had given them wrong information about the timing of the valuation index update. It offered them £40 compensation for the mistake, and in a follow-up agreed to unwind the part-redemption and return the lump sum if Mr C and Mrs G wished to have it back.

Mr C and Mrs G didn't ask for the part-redemption back but they did refer the complaint to us. Our investigator thought BOS should increase the compensation payment for the misleading information in the 4 January 2023 phone call about the valuation index update from £40 to £100, which BOS agreed to do. But he didn't recommend any other redress. Mr C and Mrs G asked for the case to be reviewed by an ombudsman.

What I've decided – and why

I'll start with some general observations. We're not the regulator of financial businesses, and we don't "police" their internal processes or how they operate generally. That's the job of the Financial Conduct Authority (FCA). We deal with individual disputes between businesses and their customers. In doing that, we don't replicate the work of the courts.

We're impartial, and we don't take either side's instructions on how we investigate a complaint. We conduct our investigations and reach our conclusions without interference from anyone else. But in doing so, we have to work within the rules of the ombudsman service, and the remit those rules give us.

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

It's not in dispute that BOS gave Mrs G the wrong date for the valuation index; however, I'm not persuaded that this error has resulted in Mr C and Mrs G being on a higher rate now than they would be if the correct information had been given.

Firstly, even if the BOS advisor had given the correct date for the index update, neither he nor Mr C and Mrs G could reasonably have predicted the outcome of the update would be an £11,000 reduction in the valuation. The reduction itself was outside BOS' control.

Meanwhile, the best five-year deal Mr C and Mrs G could have secured during the 4 January 2023 phone call (i.e. based on the higher valuation that was still on record before the index update) would have been 4.34%, and they'd have had to pay a little over £200 off the mortgage to reach the 75% LTV ratio needed to qualify for it.

As things are, Mr C and Mrs G are on a five-year rate of 4.04%, and that rate is being charged on a balance that is around £9,000 lower than it might otherwise have been. There will have been an opportunity cost to using the £9,000 in this way (i.e. credit interest on savings foregone) but that's unlikely to end up being greater than the financial advantage of paying a lower interest rate for five years and the cumulative benefit of paying interest on a lower outstanding balance over the life of the mortgage.

Turning to the second element of the complaint, the duration of the initial fixed rate product was set out in the mortgage offer in December 2020. The offer specified, in a standard format approved by the FCA, that the initial rate would run until 28 February 2023. Clearly, Mr C and Mrs G were aware of this by 4 January 2023 at the latest, because they were talking to BOS about a successor rate by then. The same document also confirmed what would happen when the fixed rate expired. In the absence of Mr C and Mrs G entering into a new interest rate product agreement – which couldn't be assumed – the December 2020 offer simply said the fixed rate would be followed by a "lender variable rate"; i.e. SVR.

In order to avoid going onto SVR after 28 February 2023, Mr C and Mrs G needed to have taken a successor interest rate product with a start date of 1 March 2023. They had two opportunities to do that, but passed on both in order to secure a lower rate that took effect from 1 April 2023. As Mr C and Mrs G have pointed out, that was entirely their prerogative. It was also their choice; one they made whilst being advised by JM. I imply no criticism of JM, and none should be inferred, but a consequence of that choice was that Mr C and Mrs G paid SVR for one month.

BOS was at fault in the way it represented the date of the valuation index update. For the upset that caused, it's my view that £100 compensation is fair in all the circumstances.

My final decision

My final decision is that I uphold this complaint in part only. In full and final settlement, I order Bank of Scotland Plc trading as Halifax to pay Mr C and Mrs G £100. I make no other order or award.

My final decision concludes this service's consideration of this complaint, which means I'll not be engaging in any further consideration or discussion of the merits of it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C and Mrs G to accept or reject my decision before 19 February 2024.

Jeff Parrington
Ombudsman