

## **The complaint**

Mr and Mrs R complain that Bank of Scotland plc trading as Halifax has treated them unfairly when they completed a product switch for a new fixed rate mortgage product.

## **What happened**

Mr and Mrs R's fixed rate mortgage product on their mortgage was due to expire on 31 July 2023. Mr and Mrs R have said they wanted to pay off a part of their mortgage which was set up on an interest only repayment basis, but the funds they needed to do this were not available until September 2023. By this point in time they'd taken out a new two-year fixed rate product after completing an online product transfer application on 10 July 2023.

Mr and Mrs R feel the product they took out in July 2023 which started on 1 August 2023 was mis-sold. They don't think it is fair that they will need to pay an early repayment charge (ERC) if they now make a payment to repay the interest only part of their mortgage. And they feel Halifax has mis-represented the product they have. Despite being titled a two-year fixed rate product which they selected, the product term started on 1 August 2023 but does not end until 31 October 2025.

Halifax looked at this complaint and didn't think it had done anything wrong when it provided Mr and Mrs R information about the mortgage they were taking out in relation to the term of it and the cost associated with repaying this early. But it did apologise for Mr and Mrs R being given inconsistent information about their repayment amount and how this was calculated with them needing to spend time speaking to Halifax about this. It made a payment of £80 in recognition of this.

Halifax said the interest rate and term this would run for was detailed on the mortgage illustration when Mr and Mrs R made their application for the new product. Mr and Mrs R accepted the illustration and they were sent a product transfer offer letter which also set out the end date of the product. Following this, on 22 July 2023 it wrote to Mr and Mrs R and told them the new rate was in place and they had 28 days to change their mind from the date of this letter. So it believed it had made it clear when the product term ended and that this was in excess of two years.

It also said the ERC was chargeable if Mr and Mrs R intended to repay all of the interest only part of their mortgage before the product term expired. Halifax said it was not contacted before the new product was taken out and as Mr and Mrs R did not speak with it, no advice on the repayment was provided. It felt, as with the term length of the product, that the ERC was brought to Mr and Mrs R's attention and this would be payable if Mr and Mrs R wanted to repay the interest only part of their mortgage early.

Our investigator looked at this complaint and didn't think Halifax had done anything wrong or needed to do anything else. He felt the compensation offered for the information provided in reference to the monthly payments was fair and in line with what we'd expect to see for a complaint of this nature.

He felt Halifax had set out the details of the mortgage and how long the product term was

due to run for. He didn't think Halifax had acted unfairly when the mortgage product was set in this way and he felt Mr and Mrs R had the opportunity to decline the product if they didn't think it met their needs.

He also felt the ERC had been detailed in the mortgage documents provided and if Mr and Mrs R repaid the interest only part of their mortgage before the end of their fixed rate product, it would be correct for this to be charged.

Mr and Mrs R did not accept the outcome. They highlighted how the mortgage offer differed from the bold headline rate and how they felt this couldn't be fair. The title of the product was clearly set as two-years and they were correct to assume this is how long their product would run for.

They also said issues around the correct information with their online banking, demonstrating the correct figures, were ongoing and still not showing as correct.

Mr and Mrs R also said they had tried to contact Halifax for advice but the waiting time was so long they could not wait and they had been cut off numerous times when trying to speak with an adviser. And they said a new complaint had been raised about the information given to them on when the ERC would drop to 1% and not 2% as Mr R had called to ask Halifax this and it couldn't provide an answer.

Our investigator said his opinion remained unchanged as he felt Halifax had made it clear within the documents provided, how long the fixed rate product would run for and what the ERC would be.

Because Mr and Mrs R disagreed, the complaint has been referred to me for 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.

I've decided not to uphold this complaint. I appreciate Mr and Mrs R will be disappointed by this, but I'll explain why I don't think Halifax needs to do anything else.

I appreciate Mr and Mrs R are unhappy about a number of things with the information provided, including the repayment amount and this differing from what was set out within the mortgage illustration letter. I'll deal with this in turn, but the crux of their complaint is the clarity of information provided in relation to the term of the product they were taking out. They feel when advertised as a two-year product, the term should run for two years – so 24 months and the ERC's applicable with this.

It is understandable why, when advertised as this that Mr and Mrs R hold this belief. And when the application was made for the new product, they had the option to decline what was offered if this was not in line with their expectations.

It isn't uncommon for fixed rate products to be advertised for a certain length of time as this is the time they will predominately run for. But the headline time frame is not a tailored offer to the individual, but an indication of the general timeframe of the product. The details of the product specific to the customer are set out in the mortgage illustration, detailing the rate offered, the term of that rate and any associated fees and charges.

Box 2 of the mortgage illustration titled *Main features of the loan*, sets out how the mortgage will operate with the product and *Product description*. This shows how long the initial fixed

rate will be in place for. Mr and Mrs R's illustration said the following:

*"An initial fixed rate until 31/10/2025 followed by a lender variable rate"*

I appreciate Mr and Mrs R have said they attempted to speak with Halifax about their product switch and seek advice, but they decided not to and that they were happy to select a product online.

Once they had selected the product they were provided with the mortgage illustration including the details I've set out above. This information was also repeated in section 3 of the illustration where the interest rate was set out alongside the expiry date. It was at this point that Mr and Mrs R needed to decide whether they wanted to accept the mortgage as set out in the illustration or not with this being tailored to their mortgage and the details of this. It also included the details of the ERC and how this works, setting out the following charged would be applied at a rate of:

*2% of the amount repaid on or before 31/10/2024*

*1% of the amount repaid on or before 31/10/2025*

So while I agree the headline rate does not match up with the illustration provided for Mr and Mrs R, I cannot say that Halifax failed to set out how the new product would work. Mr and Mrs R were provided with this information ahead of them being tied into the product so had time to change their mind. And Mr and Mrs R had a choice over whether they wanted to accept this or not. And this included whether they were happy to take a product that included an ERC if repaid early when they were hoping to be able to repay their interest only mortgage in full in the near future.

I don't think it is fair to say Halifax provided incorrect information to Mr and Mrs R about the product they were offered and how long this would run for and what charges they might incur if they decided to repay any part of their mortgage early. So it follows that I see no reason to ask Halifax to do anything else on this point.

Halifax has accepted it failed to give correct information to Mr and Mrs R in relation to their monthly repayments and how these had been recalculated following overpayments made to the mortgage. It offered £80 in recognition of the distress and inconvenience experienced as a result of this. I know Mr and Mrs R needed to spend time calling Halifax to understand what had happened and why, this will have been frustrating. The payment of £80 is not made to compensate for this time and inconvenience but to recognise that this was in excess of what might be expected. I think it is a fair award to make for this and inline with an award this Service would make.

I understand Mr and Mrs R are still unhappy about how information is presenting on their online banking in relation to their payments and a new complaint has been raised about this. But as a new issue, this is not something I've considered with this complaint.

Overall, I feel Mr and Mrs R were provided with information in a timely manner which allowed them to understand how the product they were taking would work for them, based on there mortgage. And I don't think it would be fair to ask Halifax to reduce the term of this mortgage or allow an ERC to be avoided if a repayment is made which would otherwise result in this cost being incurred.

### **My final decision**

For the reasons I've set out above, I am not upholding Mr and Mrs R's complaint.

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

Thomas Brissenden  
**Ombudsman**