

## **The complaint**

Mr H and Miss O are unhappy that the Co-operative Bank Plc, trading as Britannia, redeemed their offset mortgage without their permission.

## **What happened**

To briefly summarise: Mr H and Miss O had an offset mortgage with Britannia that was scheduled to end in July 2023. However, in June 2022, Britannia used the balance of Mr H and Miss O's linked savings account to redeem the mortgage early, without Mr H and Miss O's permission. Mr H and Miss O weren't happy about this, so they raised a complaint.

Britannia responded to Mr H and Miss O and acknowledged they'd made a mistake and explained that Britannia would look to contact the Land Registry to get the mortgage reinstated. But a series of delays meant that Mr H and Miss O's mortgage wasn't reinstated by July 2023 – when the mortgage had been scheduled to end.

Because of this, Britannia explained to Mr H and Miss O that they could no longer consider reinstating the mortgage – although Britannia did offer to pay compensation to Mr H and Miss O because of what had happened. Mr H and Miss O weren't satisfied with Britannia's response, so they referred their complaint to this service.

One of our investigators looked at this complaint. During their review, Britannia reiterated their position but increased their offer of compensation to Mr H and Miss O to £500. Our investigator felt it was reasonable that Britannia couldn't reinstate a mortgage after the natural end date of that mortgage had passed. And they also felt that Britannia's offer of £500 compensation was a fair resolution to this complaint. Mr H and Miss O remained dissatisfied, so the matter was escalated to an ombudsman 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.

The first thing I've considered here is whether Britannia's position that the mortgage now shouldn't be reinstated because the scheduled end date of the mortgage has passed is a reasonable one.

Key to my consideration is whether I feel that Mr H and Miss O have or are incurring a financial detriment because the mortgage has been redeemed, and which can only be remedied by the reinstatement of the mortgage. But upon review, I don't feel that Mr H and Miss O are incurring a financial detriment here such that Britannia should fairly be instructed to reinstate the mortgage to the position it had been when it was redeemed.

Mr H and Miss O have explained that because the balance from the savings account that was used to offset the mortgage was used to redeem the mortgage, they feel that they've lost out on the interest that savings balance would have accrued. And Mr H and Miss O have explained that they were receiving approximately £130 in interest on their savings balance

every month.

But this appears to be a misunderstanding on Mr H and Miss O's part. I say this because the savings account that was used to offset the mortgage didn't attract any interest, as can be confirmed by the account statements. Rather, so long as the balance of that savings account was kept at the same level as the overall outstanding mortgage balance, no interest was charged on the mortgage itself.

This meant that the balance of the savings account offset the balance of the mortgage, with the fact that no interest was being accrued on the savings balance being offset by the fact that no interest was being charged on the mortgage balance.

Conversely, if Mr H and Miss O had allowed the balance of the savings account to have been less than the outstanding mortgage balance – for example, by £20,000 – then mortgage interest would have been incurred on £20,000 of the outstanding mortgage balance, because it was no longer being offset by the balance in the linked savings account.

Importantly, the balance of the linked savings account didn't attract any interest even when the balance of that account was greater than the outstanding mortgage balance. And because of this, when Mr H and Miss O made a monthly payment towards the mortgage, reducing the overall amount owed on the mortgage, they also withdrew a corresponding amount from the linked savings account – because there was no financial benefit to holding more in that account than was needed to precisely offset the mortgage.

So, while Mr H and Miss O were receiving approximately £130 per month from the linked savings account, this wasn't an interest payment, because that account didn't attract interest. Rather, it was a monthly withdrawal of the capital balance of that savings account, which corresponded to the amount that no longer needed to be kept in that savings account to offset the outstanding mortgage balance, following the latest mortgage payment.

When Britannia incorrectly redeemed the mortgage using the balance present in the linked savings account, Mr H and Miss O no longer received these monthly withdrawals of £130, because there was no balance left in that account.

But at the same time, Mr H and Miss O no longer needed to make the similar sized monthly payments to the mortgage, because it had been redeemed. And because of this, I don't feel that Mr H and Miss O have been financially disadvantaged as they believe.

Accordingly, I don't feel that Britannia should fairly or reasonably be instructed to reinstate the mortgage at this time, given that the natural end date for the mortgage has passed and given that, as explained, I don't feel Mr H and Miss O have incurred any financial detriment because of what happened.

However, the fact remains that Britannia did redeem Mr H and Miss O's mortgage without their permission. And I'm satisfied that Mr H and Miss O have incurred significant upset, frustration, and inconvenience as a result, including the many phone calls that Mr H and Miss O had to make when trying to resolve this issue to their satisfaction, which unfortunately ultimately never happened.

Britannia have acknowledged this point and apologised to Mr H and Miss O for it. And they've also offered to pay £500 to Mr H and Miss O as compensation for the trouble and upset that they've incurred.

This £500 seems like a fair offer to me. I say this in consideration of the worry and inconvenience that Mr H and Miss O have incurred here, and in consideration of the general

framework that this service uses when assessing compensation amounts – details of which are on this service's website.

All of which means that, while I will be upholding this complaint in Mr H and Miss O's favour, I'll only be doing so to formally instruct Britannia to pay the £500 compensation to Mr H and Miss O that they've already agreed to pay.

### **Putting things right**

Britannia must make a payment of £500 to Mr H and Miss O.

### **My final decision**

My final decision is that I uphold this complaint against Co-operative Bank Plc, trading as Britannia, on the basis explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H and Miss O to accept or reject my decision before 29 July 2024.

Paul Cooper  
**Ombudsman**