

The complaint

Miss L complains that Clydesdale Bank Plc trading as Yorkshire Bank gave her incorrect information about the interest rate product she's taken on her mortgage account. She says she wanted a fixed interest rate but has ended up with a variable rate.

What happened

In March 2023 Miss L contacted Yorkshire Bank to discuss the interest rate on her mortgage account. The mortgage was on the standard variable rate (SVR), and she was worried about the increases that had been made to the rate recently, so wanted to discuss her options.

The call handler at Yorkshire Bank explained there were different options available and offered to arrange an appointment with an adviser so Miss L could go through her circumstances in detail and get advice. Miss L said she didn't want to have an appointment and went through the options that were showing online whilst she was on the phone. Miss L selected an offset variable interest rate product that had a discount for two years.

Yorkshire Bank sent Miss L a mortgage offer on 18 April 2023. That offer said the following about the interest rate:

"A variable rate, currently 8.45%, with a discount of 3.41% until 30 June 2025, giving a current rate payable of 5.04%. The period between drawdown of the mortgage and that date is referred to by the lender as your Concessionary Rare Period. After that the rate will revert to Yorkshire Bank's offset variable rate, currently 8.45%.

The variable rate is set by Yorkshire Bank and it can be changed at any time by giving you notice. Further information about when this rate can change can be found in the Mortgage Terms and Conditions which will be provided with the mortgage offer."

Under Section 6 'Amount of each instalment' it said:

"During your Concessionary Rate Period you will have a monthly instalment of £323.08 assuming interest rates don't change.

When your Concessionary Rate Period ends, and assuming rates do not change, your new instalment will be £540.34 with a final payment of £540.99.

....

The interest rate on this loan can change. This means the amount of your instalments could increase or decrease. For example, if the interest rate rose to 9.95%, your payments could increase to £637.84."

The covering letter for the mortgage offer said that Miss L had a reflection period of seven calendar days from the date she received the offer to consider if the mortgage was right for her.

Miss L called Yorkshire Bank on 24 April 2023 to discuss linking her existing accounts to the offset mortgage account so that the interest could be offset. Yorkshire Bank wrote to her on 28 April 2023 to tell her what her new monthly payments would be. That letter said the “first payment at the new rate will be £320.38 and is due on 20 June 2023. This will be followed by regular payments of £320.38 commencing on 20 July 2023.”

Yorkshire Bank wrote to Miss L in September 2023 to tell her that as the interest rate charged on her mortgage account had gone up, the monthly payments would increase to £398.36.

Miss L called Yorkshire Bank and complained. She was unhappy the payments were going up when she thought they were going to stay the same.

Yorkshire Bank issued its final response letter on 23 November 2023. The letter explained that it hadn't given Miss L any advice about the product, and she'd been told on the phone that the rate was a variable rate which meant the monthly payments could go up or down. It also said the offer documents clearly stated the product selected. It noted that during a call in September 2023 Miss L had been asked to go through security twice, and so it apologised for that and paid Miss L £50.

Miss L brought her complaint to our service. She said she had been given the impression that the amount she would have to pay each month would be fixed for two years but instead the payments have increased when rates have gone up. She said this was what she was trying to avoid by switching in the first place, and she made that clear when she spoke to Yorkshire Bank. She said if she'd known it was a variable rate, she wouldn't have chosen it. She also said the letters she received gave the impression her monthly payments would be fixed for two years.

One of our Investigators looked into things and didn't uphold the complaint. He said Yorkshire Bank had made it clear that the product was a variable rate.

Miss L disagreed, so the complaint has been passed to me to issue a 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.

Whilst I appreciate it will come as a disappointment to Miss L, I've reached the same outcome as the Investigator, for broadly the same reasons.

I've listened to recordings of the conversations Miss L had with Yorkshire Bank in March and April 2023. When she called in March it was clear that Miss L was very worried about the recent interest rate increases, and she wanted to explore her options. There was a lengthy discussion about the potential options available to Miss L – including fixed rates and the variable offset rates. Miss L was concerned that she had an interest only mortgage and wasn't making any payments towards her capital, so the call handler also explained she may want to look at converting the mortgage to capital repayment and extending the term. The call handler offered to arrange an appointment with a mortgage adviser so Miss L could discuss her options in more detail and receive advice on what would be suitable for her, but Miss L didn't want to do that.

Having listened to the information the call handler gave Miss L in the call, I'm satisfied she made it clear that the product Miss L was applying for was a variable rate that could go up or down, and so her payments would not be fixed for the two year period. She explained this on

more than one occasion. Yorkshire Bank did not give Miss L any advice about which product to take, so it didn't have to ensure the product was suitable for Miss L's needs. But it did need to ensure it had given Miss L information that was clear, fair and not misleading, so she was able to make an informed choice herself. I'm satisfied the call handler did that during the call.

I do appreciate it was a long call and lots of information was discussed about various products, and this may have had an impact on the information Miss L absorbed during the conversation. So I've also considered the documentation Yorkshire Bank sent to Miss L about the product she'd selected after the conversation. Having done so, I'm satisfied the mortgage offer made it clear to Miss L that the interest rate product she'd chosen was a variable rate, and that meant the interest rate could change. The cover letter also said that Miss L had a seven day reflection period to change her mind about the product selected, so if the information in the offer contradicted her understanding of the product from the call she'd had, she still had the opportunity to cancel it at that point. But she didn't do so.

I do agree with Miss L that the letter Yorkshire Bank sent to her on 28 April 2023 could have made it clearer that the monthly payment amounts quoted were based on the interest rate staying the same, and the amounts could change if the rate varied. I think it could reasonably be argued that the letter did give the impression that the monthly payments would stay the same. But that letter was sent after Miss L was given the correct, and clear, information about how the mortgage product worked. And she'd already agreed to the product based on that information. So I'm not persuaded this letter sent on 28 April 2023 impacted her decision to take out the product that she did.

Overall, I do understand why Miss L is unhappy about her payments increasing in line with interest rates – as that was what she was trying to avoid by arranging a new product in the first place. But for the reasons I've explained, I'm satisfied that the product she's ended up with isn't a result of anything Yorkshire Bank has done wrong. And so I don't uphold this complaint.

My final decision

Considering everything, for the reasons I've explained, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 12 September 2024.

Kathryn Billings
Ombudsman