

The complaint

Miss A complains that Mortgage Agency Services Number Five Limited (“MAS5”) hasn’t administered her mortgage correctly. In particular she complains that MAS5 hasn’t offered her new interest rate products. She doesn’t think that’s fair. Miss A is on MAS5’s standard variable rate (“SVR”).

Miss A has also questioned whether the level of the SVR charged was fair, taking into account changes to the SVR MAS5 made over the years.

What happened

Miss A took out her mortgage with GMAC-RFC in March 2006. The mortgage offer says the initial variable interest rate was 6.49% discounted to 5.25% until 31 March 2008. The mortgage offer stated that after that date, the rate that would apply was the lender’s SVR (which was 6.49% at the time) for the remaining term of the mortgage.

In March 2022 Miss A complained to MAS5 about the interest rate it had charged on her mortgage account, and the increases it had made to the rate since 2009.

In its final response MAS5 said Miss A’s complaint concerned events that had taken place more than six years ago, so Miss A was out of time to complain about them. It said Miss A had sufficient information from her mortgage offer, the interest rate change letters, and annual statements of account to make her fully aware of the terms of her mortgage and the interest rate changes at the time they occurred. As a result, it only investigated Miss A’s concerns about events that took place after 7 March 2016.

MAS5 said that since that date, it had changed the interest rate applied to Miss A’s account on seven occasions following changes to the Bank of England base rate. It said those changes were made in line with the terms and conditions of Miss A’s mortgage and they had written to Miss A each time to let her know the new amount she’d have to pay.

MAS5 said it is no longer an active lender which means it is not accepting new customers or offering existing customers alternative interest rate products. As a result, it is unable to reduce the interest rate charged on Miss A’s mortgage.

MAS5 said that since November 2019, following new rules introduced by the FCA, it had offered customers the opportunity to apply for a Britannia branded mortgage from the Co-operative Bank, subject to meeting the FCA definition of a ‘mortgage prisoner’ and the bank’s lending criteria. It said it wrote to Miss A about that in November 2019 and February 2020 but it had no record of her contacting it to discuss this option further. It said that in order for it to be in a position to understand whether Miss A would be eligible for such a mortgage it would need to carry out an advised mortgage review to fully understand her circumstances. It provided Miss A with contact details so she could get in touch.

Miss A contacted our service in March 2022 and asked us to look into things. One of our Investigators looked into her complaint, and said that in his view, part of the complaint had been made outside of the time limits our service must apply. He concluded that our service

had the power to consider Miss A's concerns about the interest rate MAS5 had charged from 7 March 2016 onwards – which was the six years leading up to the date he could see Miss A had expressed her dissatisfaction to MAS5. I issued a decision on that point as Miss A had disagreed with our investigator. In that decision I confirmed that we could only look into the issues complained about from 7 March 2016 onwards. So that is the period that I will cover in this decision.

When our investigator sent Miss A his view on her complaint, he said that in order to consider what happened from 7 March 2016 onwards, it was necessary for him to take into account the history of the mortgage before that as relevant background. This is because any decisions MAS5 made to vary the interest rate before 7 March 2016 would have impacted the fairness of the rate charged thereafter. He said he was satisfied that approach was in line with our rules and a recent decision of the High Court on our jurisdiction in cases like this one.

Our investigator went on to consider the merits of Miss A's complaint that he had the power to consider. In summary he concluded the following:

- Miss A's mortgage offer said the mortgage would revert to the SVR after the initial fixed rate period and that's what happened. There was nothing in the mortgage offer or terms and conditions which said MAS5 would make new interest rate products available, and there's no regulation that says it had to either. Miss A was not treated any less favourably than other MAS5 customers. He didn't think MAS5 had treated Miss A unfairly by not offering her a lower interest rate.
- MAS5 had not shown that the changes made to the SVR during 2009-2012 were made for reasons allowed for under the terms and conditions of the mortgage. But the 2009 increases effectively corrected the impact of a restrictive covenant MAS5 had agreed with the original lender of Miss A's mortgage which had resulted in the interest rate being much lower than it otherwise would have been.
- As the interest rate Miss A was charged from 7 March 2016 onwards was a cumulative result of the changes made before then, it wasn't fair and reasonable that MAS5 charged an interest rate that reflected the impact of the increases made in 2011 and 2012. However, it wouldn't be fair to reach the same conclusion about the 2009 increases because that would have the effect of continuing the benefit of the restrictive covenant years after it ended. And would result in Miss A being charged a rate that was much lower than she ever could have expected from the operation of her mortgage terms and conditions alone. As a result, removing the effect of the 2009 increases would result in over-compensation.
- The changes MAS5 made to the SVR after 2012 were not unfair.
- MAS5 should re-work Miss A's mortgage as if the interest rate charged after 7 March 2016 was 1.25% lower than it was from time to time. It should also ensure the rate is reduced by 1.25% going forwards – though MAS5 can continue to vary the interest rate in the future if permitted to do so by the terms and conditions. MAS5 should give Miss A the choice of having the resulting overpayments she has made each month refunded to her, with simple interest of 8% running from the date of each payment to the date of settlement; or having the overpayments used to reduce the mortgage balance.

MAS5 responded and disagreed that the 1.25% reduction should be applied beyond November 2022. It said its decisions not to pass on the Bank of England base rate increases between December 2021 and November 2022 balanced out the increases in 2011 and 2012

that the investigator found were unfair. It said in December 2021, the base rate increases were not passed on immediately. And then in August and September 2022, base rate increased by 0.5% each time but MAS5 chose not to pass on those increases to its SVR customers. In November 2022 the base rate increased by 0.75% and MAS5 took the decision to only pass on 0.38% to their SVR customers. That meant a total of 1.37% was not passed on to MAS5 customers in 2022 despite MAS5 having the right under condition 3.1(a) of the terms and conditions to pass all of those increases on. That 1.37% exceeds the 1.25% reduction the investigator said they should make to the rate.

So MAS5 agreed to pay compensation up to 30 November 2022, but it didn't think it was fair for us to ask it to continue to reduce Miss A's interest rate by 1.25% beyond that date.

After he reviewed the information MAS5 provided to support that point, our investigator agreed with MAS5. He said he was persuaded that if the SVR had been 1.25% lower prior to August 2022, MAS5 would have likely passed on the base rate increases as allowed for within the terms and conditions of the mortgage. This means that from November 2022, the SVR would have ended up in much the same position as it actually did. So he said that to put things right MAS5 should re-work Miss A's mortgage as if the interest rate charged after 7 March 2016 was 1.25% lower than it was until 30 November 2022. He said that from 1 December 2022 onwards (including into the future) MAS5 was not required to reduce the SVR by 1.25% or refund interest as if it had done so, because the decision not to pass on the base rate increases removes the lasting unfairness arising from the 2011 and 2012 increases from then on.

Miss A disagreed with the investigator and asked for her complaint to be reviewed by an ombudsman. She made a number of points that I'll consider below.

My provisional decision

In my provisional decision I said:

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

Should MAS5 have offered Miss A a new interest rate product?

Miss A's mortgage offer said that on expiry of the fixed rate product, the interest rate that would apply was the SVR for the remaining term of the mortgage. There was nothing in the rest of the offer document or the terms and conditions of the mortgage that stated Miss A would be entitled to a new fixed rate once her initial rate had ended.

Since Miss A's mortgage has been on the SVR, MAS5 have not offered any preferential interest rate products to any of their customers. There's nothing in the law, or the regulator's rules that requires lenders to offer new products or rates. Since Miss A's mortgage has been on the SVR, she wouldn't have incurred any early repayment charges if she'd decided to re-mortgage elsewhere to a lender that does offer rates.

Overall, like our investigator, I can't see that MAS5 has treated Miss A any differently to any of their other mortgage customers by not offering her an interest rate product. It contacted her in more recent years about applying for an internal re-mortgage to another lender within the banking group. So considering all the circumstances, I'm not satisfied MAS5 has treated Miss A unfairly by not offering her a new interest rate product.

The interest rate MAS5 have charged on Miss A's mortgage

MAS5 made an offer to settle Miss A's complaint by re-working her mortgage account as if the interest rate she was charged between 7 March 2016 and 30 November 2022 was 1.25% lower than what MAS5 did actually charge. It says that would put right the higher rate Miss A paid from March 2016 as a result of the increases they made to the SVR in 2011 and 2012. It doesn't think the redress should go beyond November 2022 as from that point, Miss A has been charged a rate that is 1.38% less than what it would have been had they decided to pass on the full increases to the base rate that year. Miss A disputes that redress is fair for two reasons:

- she wants the increases MAS5 made to the SVR in 2009 to be taken into account in the rate reduction, therefore asking for MAS5 to make a 2.76% reduction in the rate she's paid since 7 March 2016.

- Whilst the rate changes MAS5 made in 2022 may not have been as high as they could have been, it still doesn't undo the full effect of the unfair increases made from 2009 onwards, and so the adjustment to her interest rate should go beyond November 2022 and in the rate she's paying now.

The SVR increases in 2009

Miss A's mortgage was not taken out with MAS5 originally. In 2007 the mortgage was transferred to MAS5 by the originating lender. At the time of the transfer, there were certain terms that were agreed between the two businesses, one of which was an agreement that the SVR MAS5 charged on the mortgage would not be more than 2% above the Bank of England base rate. They've referred to this as the restrictive covenant. That term did not form part of the contract between Miss A and the lender, it was an agreement between the two businesses and did not alter the original terms and conditions that Miss A agreed to when she took out her mortgage.

Miss A has said her original mortgage was with GMAC, not MAS5. She was led to believe that if the Bank of England rates reduced, the reduction would be passed to her.

I appreciate what she has told us, but the terms and conditions of Miss A's mortgage said that the lender could vary the standard variable rate for the following reasons:

“(a) to reflect a change which has occurred, or which we reasonably expect to occur, in the Bank of England base rate or interest rates generally;

(b) to reflect a change which has occurred, or which we reasonably expect to occur, in the cost of the funds we use in our mortgage lending business;

(c) to reflect a change which has occurred, or which we reasonably expect to occur, in the interest rates charged by other mortgage lenders;

(d) to reflect a change in the law or a decision by a court; or

(e) to reflect a decision or recommendation by an ombudsman, regulator or similar body.”

Miss A's mortgage offer stated that the interest rate that applied to Miss A's mortgage would be a fixed rate of 6.49% discounted to 5.25% until 31 March 2008, after which the SVR would apply for the remaining term of the mortgage.

There was nothing in the terms that stated the interest rate would be linked to any particular reference rate, and it was not a tracker rate that would track movements in the base rate.

The Bank of England base rate fell significantly during 2008 and 2009, and as a result of the restrictive covenant, the SVR MAS5 charged to their mortgage customers reduced significantly too. Miss A's mortgage was on the SVR from 1 April 2008.

I appreciate that Miss A says she didn't enter into a mortgage with MAS5 herself, and that she had no say in the transaction under which the restrictive covenant was agreed. However, I think it's fair to say that she benefited from it as the agreement MAS5 had in place to charge an SVR no higher than 2% above base rate affected her mortgage until that agreement ended in 2009. At that point MAS5 started to increase the SVR.

MAS5 have said the increases made to the SVR in 2009 were because of an increase that had occurred in the cost of funds used in their mortgage lending business. They've sent us evidence to support their arguments about that, but I'm not satisfied the evidence provided does show that MAS5's cost of funds had increased at that time.

However, that isn't the end of the matter. I also have to consider what is fair and reasonable in all the circumstances. Having done so, I'm not satisfied it would be fair and reasonable for MAS5 to reduce Miss A's interest rate as if those increases in 2009 had not taken place.

Whilst interest rates fell generally during 2008 and 2009 as a result of the financial crisis, the SVRs charged to mortgage customers within the banking group MAS5 operated in, as well as the wider market, did not fall by the same proportions as the base rate. That is for a variety of reasons, but generally the costs to firms of funding their mortgage business did not reduce by as much as the base rate did, and their prudential requirements changed.

Having considered the information MAS5 have sent us, as well as my knowledge and understanding of how the mortgage market was operating at that time, I think it's likely that had the restrictive covenant not been in place during that period, the SVR MAS5 would have charged during 2008 and 2009 would not have reduced by as much as it did.

As explained, there was nothing in the terms and conditions of Miss A's mortgage that linked the SVR to the base rate, and whilst the terms allowed MAS5 to vary the SVR following changes to base rate, they didn't say they must do so.

The effect of the restrictive covenant therefore meant that the SVR MAS5 were charging their mortgage customers was lower than it would have been had the covenant not been in place. As a result, MAS5 customers received the benefit of paying a lower reversionary rate than they would have been charged by most other lenders at that time. Whilst MAS5 may have increased the SVR when the covenant ended for reasons that weren't permitted under the terms and conditions of Miss A's mortgage, they were restoring the rate to what it would have been had the covenant not been in place.

It's important to remember that a complaint about the interest rate variations that took place in 2009 is actually out of time and our service doesn't have the power to consider it. I'm only taking account of what happened to the rate at that time as I think it's relevant to determine whether the rate Miss A has been charged since 7 March 2016 is fair and reasonable.

While MAS5 may not have had any contractual justification for increasing the SVR once the covenant came to an end, I have to take all the wider circumstances into account when thinking about what's fair and reasonable more broadly during the period I can consider. And for the reasons I have given, I am satisfied that directing MAS5 to essentially deduct the 2009 increases from interest charged from March 2016 onwards would provide Miss A with a level of compensation that I think goes beyond what is fair and reasonable in view of how long ago the changes were made, and the fact that those increases would not have been necessary had MAS5 been able to vary the rate in line with the terms and conditions Miss A

agreed to without the covenant in place. To do so would result in the interest rate after 7 March 2016 being lower than Miss A could have expected it to be by operation of the mortgage terms and conditions alone and would result in over-compensation.

The SVR increases in 2011 and 2012

MAS5 increased the SVR charged on Miss A's mortgage in 2011 and 2012. The effect of both of those changes meant the rate went from 4.5% to 5.75%.

MAS5 said those increases were made as a result of the increases in the cost of funds used in its mortgage lending business. I'm not satisfied that the evidence MAS5 have sent us shows that there was actually an increase in MAS5's own cost of funds at that time. It has now offered to re-work Miss A's mortgage account from 7 March 2016 (up until November 2022) as if those increases never took place. So I won't consider this point any further, as the offer puts Miss A back in the position she would have been in had the increases not been made (for the time period that is in scope of this complaint).

Should the redress go beyond November 2022?

MAS5 have offered to re-work Miss A's mortgage account as though the interest rate she has been charged since 7 March 2016 was 1.25% lower than it was to reverse the effect of the 2011 and 2012 increases – but only up until the end of November 2022. It has said this is because they made the decision in 2022 not to pass on the full Bank of England base rate rises to customers when it could have done. That resulted in the SVR being 1.38% lower than it would have been had it passed on the full extent of the increases. It has said if the SVR had in fact been 1.25% lower than it was before 2022, as we've said it should have been, it would have taken the decision to pass on all of the base rate rises when they took place in 2022. This would have ensured that the SVR was priced at an appropriate level for its risk profile and market position. Therefore, the rate would have ended up 0.12% higher than it actually was in December 2022.

MAS5 have provided our service with evidence to support its arguments, including the factors the wider banking group considered when they were deciding whether to pass on the base rate rises to customers in 2022. It's clear the priorities for the banking group were to balance increases to the SVR to reflect increases to cost of funds with keeping down increases to maintain their market position, and to minimise customer stress. While that wasn't the case specifically for Miss A's mortgage – since there's no evidence of a change in the costs of funding MAS5 itself at this time, the position of the MAS5 SVR comparative to the SVR charged to 'prime' customers in the group was also a key factor.

If the MAS5 SVR had been 1.25% lower than it actually was, it would have been lower than the SVR charged by other lenders within the group, as well as other lenders in the wider prime mortgage market.

Having considered the evidence MAS5 have provided, I'm satisfied that on balance, if the SVR had been 1.25% lower than it was at the start of 2022, MAS5 would have increased the SVR by more than they did during 2022, by passing on all of the base rate rises. That would have been permitted under the terms and conditions of Miss A's mortgage.

However, whilst I'm persuaded that's what MAS5 would have done, I still have to consider whether that would have been fair and reasonable in order to determine whether the offer MAS5 have made is a fair resolution to this complaint. It's important to remember it is not the role of our service to decide what a fair interest rate should be. However, I can determine whether I think MAS5 have acted fairly when considering how to vary the rate they've charged Miss A, and the impact that's had on her.

MAS5 has provided evidence of the risk profile of the mortgages it holds in comparison with the banking group's 'prime' mortgages. I'm satisfied that information shows that there is a greater cost to the group when a MAS5 mortgage defaults, and there is also a much higher risk of those mortgages defaulting. I don't think it's unreasonable that MAS5 considered that risk when deciding where their SVR should sit not only in relation to the 'prime' SVR charged by other lenders in the group, but also the wider mortgage market. I'm satisfied that had the SVR been 1.25% lower than it was, and MAS5 had not decided to pass on the base rate rises in 2022, the resulting SVR would have been significantly lower than not only the group's 'prime' SVR, but also the SVRs charged by mainstream lenders in the wider market.

Under the terms and conditions of Miss A's mortgage MAS5 were entitled to increase the SVR to reflect changes in base rate. It's more likely than not, in my view, that if the SVR had been 1.25% lower because the 2011 and 2012 increases had not happened, MAS5 would have passed on the base rate changes in 2022 to move the SVR to a level comparable with other lenders in the group. Therefore, from November 2022, the SVR ended up at broadly the same level it would have been even without the 2011 and 2012 increases.

When considering the SVR Miss A has been charged since 7 March 2016 in the round, and the impact of the previous unfair increases that resulted in that rate, I'm persuaded on balance that any previous unfairness was essentially 'put right' by the decisions MAS5 made when they varied the rate in the way that they did in 2022. And so, to instruct MAS5 to make an ongoing reduction to Miss A's interest rate when that rate would be much lower than the rate she would actually have been on had MAS5 not done anything wrong, would be putting her in a better position than she ought to have been. To continue the redress beyond November 2022 means that Miss A would benefit both from the SVR being lower because of the removal of the ongoing effect of the 2011 and 2012 increases, and also benefit from the SVR being lower because of the decision not to pass on base rate cuts. I don't think it's likely Miss A's mortgage would ever have been in a situation where both those things happened, and therefore to require MAS5 to reduce her interest rate as if both had happened would be over-compensation.

I appreciate Miss A feels that his rate is still too high currently, and she feels it would be fair for her rate to be reduced on an ongoing basis, but unfortunately, we are in an economic climate where interest rates are much higher than they've been in recent years, and the rate she's now paying is not significantly out of line with reversion rates being charged by other lenders of similar mortgages.

Miss A's circumstances

Miss A has also told us that because of the interest rate increase in December 2017 (from 5.5 to 5.75%) she felt under pressure to sell an investment property quickly to raise money. She says she would have made money if she'd kept it. She also says that because of the MAS5 high interest rates she had to cash in two pensions in 2020.

I appreciate what Miss A has told us here. I don't doubt that the interest rates on her MAS5 mortgage were relevant factors in her decisions to sell the assets above. However, I can see that following the December 2017 interest rate change, Miss A's CMP rose from £931 to £956.80 – so it increased by around £25 each month. Given the size of that increase, I think it's likely that there were other factors that were impacting Miss A around late 2017/early 2018, that caused her to feel pressure to sell an investment property quickly to raise money.

In April 2020 the interest rate on Miss A's mortgage (and her CMP) reduced to 5.5%. She took mortgage payment holidays after that. Despite that, Miss A says she had to cash in two pensions around that time. Miss A hasn't told us about all the factors that were impacting her at that time. However, I think that the reduced interest rate and the payment holidays would

have reduced the pressure she was under at the time in terms of her MAS5 mortgage, instead of increasing it. I also think it's likely that the impact of the covid-19 pandemic and the economic circumstances around that time were likely to have had an influence on Miss A's decision to cash in her pensions in 2020.

So overall, I don't think it would be fair and reasonable for me to say that MAS5 was responsible for Miss A deciding to sell her investment property or cash in two pensions. I think it's likely that there were other pertinent factors in play at those times.

Miss A says she thinks she should receive compensation for the distress and inconvenience MAS5 have caused her over the years. She says she has had a history of being a good customer in the past. She tried to maintain her mortgage payments but she got into financial difficulties after her health deteriorated after October 2022 when she closed her business. She says her health conditions were exacerbated by the stress/worry she experienced about the high interest rates applied by MAS5. She has also told us that after her she closed her business and her financial situation deteriorated MAS5 didn't help her. She says that instead it made things worse when it sent her letters, texts and phone calls about her mortgage arrears and later repossession. She says all that caused her severe anxiety and hindered her ability to recover and focus on building her business up again.

I'm sorry to hear about everything Miss A has gone through in recent years.

I don't underestimate Miss A's strength of feeling about being charged more interest by MAS5 than she should have. I'm persuaded that although it's likely that Miss A's finances would have been affected by a number of issues in the period I can consider in this complaint, having to find more money than she needed to over that period of time did cause her significant upset. So I think it's fair and reasonable that MAS5 should pay her £500 compensation for this.

Miss A has complained that MAS5's contact with her after she closed her business in late 2022 exacerbated her health concerns. I can see that MAS5 spoke to Miss A regularly on the phone after she closed her business. Her search for work was regularly discussed, and MAS5 agreed to a number of temporary payment arrangements to help Miss A manage her mortgage. Later MAS5 discussed the sustainability of her mortgage with Miss A, given the level of arrears and action it might take (including repossession).

I appreciate that Miss A has said she found the contact with MAS5 stressful, and I don't doubt that the prospect of losing her home has been upsetting for her – especially when she was unwell/trying to rebuild after she closed her business. I don't underestimate Miss A's strength of feeling about that. However, I'm also conscious that MAS5 was required to keep her informed about the status of her mortgage, and her arrears. As a responsible lender it needed to understand Miss A's circumstances in order to support her and manage her arrears. I'm afraid I don't think it would have been fair and reasonable for it not to keep Miss A informed about the status of her account. Nor do I think it would have been fair and reasonable for MAS5 to decide not to take action to try to stop the arrears on Miss A's account building up

Overall, I'm sorry to hear what Miss A has told us about the impact of MAS5's contact on her, but having considered the available evidence, I can't say that the contact from MAS5 was excessive or unnecessary.

Additional issues

For completeness I'll say here that I can see that in 2024 Miss A brought two further issues to our attention. She said she wants MAS5 to remove all fees charged to her mortgage

account during 2009-2010 for unnecessary building insurance. She has also said that she wants MAS5 to reimburse her for fees/charges incurred in connection with repossession in 2024.

I'm sorry to hear about these new issues and the impact Miss A says they've had. However, those issues don't form part of Miss A's original complaint. So I can't consider them here. Miss A should complain to MAS5 about those issues (if she hasn't already done so). If she's unhappy with its final response she will be in a position to complain to the Financial Ombudsman Service about those issues.

Putting things right

For the reasons I've explained, I'm satisfied MAS5 should do the following to put things right for Miss A:

- re-work Miss A's mortgage account as if the interest rate charged after 7 March 2016 was 1.25% lower than it was from time to time, up until 30 November 2022.
- re-calculate the mortgage using the payments Miss A actually made, but with revised monthly payments using the lower interest rate. This will result in changes to the arrears balance from time to time, and so MAS5 should also amend her credit file to reflect the revised position. Any overpayments each month should be used to reduce the arrears balance at that time, as if there was no arrears balance carried forward. If there are any overpayments left after repaying the arrears, Miss A should be given the choice of either having those repayments refunded to her, with simple annual interest of 8% running from the date of each payment to date of refund; or having the overpayments treated as periodic overpayments to reduce the mortgage balance.

I can see that MAS5 has provided a calculation to show that how much money it will pay to Miss A in each option.

- pay Miss A £500 compensation for the upset this matter has caused."

Responses to my provisional decision

MAS5 responded to say that it accepted my provisional decision and had no further comments to make.

Miss A said she was disappointed by my provisional decision didn't have anything to add either.

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.

Neither MAS5 nor Miss A sent me any comments to consider in relation to my provisional decision.

In the circumstances I see no reason to depart from what I said in my provisional decision.

The reasons for my final decision are the same as those set out in my provisional decision.

For completeness I'll say here that after I issued my provisional decision Miss A sent the Financial Ombudsman Service copies of some correspondence she'd recently received from

MAS5. She said the correspondence had confused her. Our investigator spoke to her on the phone after that.

Putting things right

To put things right MAS5 should do what I've set out below.

My final decision

For the reasons I've explained, my final decision is that I uphold this complaint and direct Mortgage Agency Services Number Five Limited to:

- re-work Miss A's mortgage account as if the interest rate charged after 7 March 2016 was 1.25% lower than it was from time to time, up until 30 November 2022.
- re-calculate the mortgage using the payments Miss A actually made, but with revised monthly payments using the lower interest rate. This will result in changes to the arrears balance from time to time, and so MAS5 should also amend her credit file to reflect the revised position. Any overpayments each month should be used to reduce the arrears balance at that time, as if there was no arrears balance carried forward. If there are any overpayments left after repaying the arrears, Miss A should be given the choice of either having those repayments refunded to her, with simple annual interest of 8% running from the date of each payment to date of refund; or having the overpayments treated as periodic overpayments to reduce the mortgage balance.
- pay Miss A £500 compensation for the upset this matter has caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 23 October 2024.

Laura Forster
Ombudsman