

The complaint

Mr M complains that after he accepted a remortgage deal with Yorkshire Building Society trading as Chelsea Building Society (“CBS”), the figures changed. He said that CBS had withdrawn his offer, without his agreement, and then insisted on charging him more.

What happened

Mr M said he discussed a new mortgage offer with CBS, and accepted it based on what he felt he could afford. But he said CBS then withdrew that offer and increased his monthly payments. Mr M said CBS had told him the offer wasn’t final, and the new deal he was getting now was the best CBS could do.

Mr M said the difference in the monthly payments meant he was now paying more than he was comfortable with. He said he had considered moving his mortgage elsewhere, and if he’d realised that CBS would change the deal it was giving him without his agreement, then he would have looked elsewhere.

CBS said that the difference in the monthly mortgage payments relates to the mortgage term and to the direct debit being registered on the last working day of the month. But it said the offer it made was clear that it was based on completion on 1 May, which was a month before Mr M was due to complete. And the offer also said that final figures would be confirmed once the mortgage had completed.

So CBS didn’t think it had changed the mortgage offer. And it said Mr M had plenty of time to consider the offer, because a call back was arranged for him a couple of days after the offer was made. But it did think that its advisor should have clarified for Mr M that the figures he was being given were projected and were subject to change on completion.

CBS said it had previously offered Mr M £75 in compensation, and it would now like to increase that to £200.

Our investigator thought CBS’s new offer provided a fair outcome to this complaint. He said he could see the illustration was based on completion on 1 May 2024, which was before Mr M’s old fixed interest rate deal ended. And the offer was clear that it could change. So he said it wasn’t unreasonable for CBS to recalculate the payments after this. And our investigator thought Mr M was given enough time to read these documents.

Our investigator did think the mortgage advisor could have been clearer in explaining to Mr M that the payment amounts she was giving him could be subject to change based on the completion date. Our investigator thought Mr M would have been disappointed to receive confirmation of higher monthly payments, but he thought the increased offer of £200 for that was fair.

Mr M disagreed. He said that he was now going to pay about £1,200 more than he expected, over the next two years. He said he was comparing deals at the time, and he did that on the basis of what he was told by the advisor. He thought he should have been able to rely on that. Mr M said he wasn’t told that this offer could change, and if he had been told about his

new monthly payment, he would have moved his mortgage elsewhere.

Mr M said he felt strongly that the existing process was unfair. He thought CBS should honour its original figures, or let him out of this mortgage with no penalty so he could move his mortgage elsewhere.

Mr M wanted his complaint to be considered by an ombudsman, so it was passed to me 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.

I've reached the same overall conclusion on this complaint as our investigator.

I should start by saying that I don't think Mr M was rushed into agreeing to this mortgage. I've listened to the relevant call, and the conversation to accept the offer was arranged at his convenience, a couple of days after his first discussion with the mortgage advisor. So I don't think he only had 20 minutes to read the offer.

But I do understand why Mr M is very disappointed by the increase in his monthly mortgage payments. Mr M was at first told his payments were likely to be about £535, and when he accepted CBS's offer this was then reduced to under £530. His offer also suggested this lower figure. Whilst the mortgage offer did say that this was based on completion of the mortgage on 1 May, and Mr M wasn't due to complete on this new deal until 1 June, the advisor had repeatedly used the above figures, without any suggestion that these weren't final figures. And Mr M didn't get a final figure until he was committed to the deal. It was only when he took out the new mortgage deal that he found his payments would be £566.71. So I do understand why Mr M has raised this complaint.

I've got to bear in mind that Mr M's offer did explain that the figures weren't final. But I do think it's worth exploring here, what would have happened if Mr M's advisor had been clearer that these figures weren't final.

Mr M says that if he'd realised the monthly repayments would be higher than he'd been quoted as part of the mortgage advice he received, then he would have looked elsewhere for a better deal. So it appears that Mr M feels he was deprived of the chance to shop around. I understand that he would be concerned that he may have been better off if he'd remortgaged elsewhere. But I think that is unlikely to have been the case, even if he had paused to shop around. I'll explain why I think that.

The mortgage notes that CBS has sent us, show that Mr M had some financial difficulties some years ago. Although those difficulties wouldn't be likely to be visible now on his credit file, a number of mortgage lenders do routinely ask all their new customers about previous bankruptcies or county court judgments, and may not be prepared to lend to anyone who has previously experienced such problems. I have to take into account that this does affect Mr M's chances of securing alternative lending.

On his call with the advisor, Mr M mentioned a 4.65% mortgage, available with another lender. Unfortunately, this lender has a clearly stated policy of not lending to anyone who has the same credit history as Mr M. So Mr M could never have secured that lending.

Our service does hold some details of the rates which were available around the time that Mr M was applying to remortgage. As Mr M was aware, a number of lenders increased their

rates in late April 2024, just before Mr M first spoke to CBS.

On that call CBS explained that actually, with a low mortgage balance and a relatively short term remaining, Mr M's mortgage wouldn't be greatly affected by differences in interest rates. I think that's right. But what would affect Mr M's mortgage, and his finances overall, would be the addition of any extra fees, or costs to remortgage.

CBS's mortgage advisor suggested Mr M not take its own internal product with a fee, because he wouldn't have made that money back in savings. I think that Mr M is likely to have found the same, if he did take out a product with a different lender, which (like the offer Mr M mentioned on the call) did have a fee.

If Mr M had decided to move his mortgage elsewhere, and assuming he was able to secure an offer, then he may also have needed to cover the legal costs of remortgaging to a new lender, and was likely to have spent at least one month on CBS' standard variable rate before that remortgage could be achieved. This would all increase his outlay further.

Considering all of the above, and looking at the best deals available around the time that Mr M was seeking to remortgage, I'm afraid I think it was unlikely that Mr M could have done significantly better than the rate he secured, with no fee. And given that he would have only had a relatively short time to organise a remortgage to a different lender, for what could at the very best have been only marginal gains, I think it's likely that if Mr M had been given better information about his monthly costs, Mr M would still have chosen to stay with his existing lender.

But I understand that Mr M would have liked to be sure of this position, and also that he would have been both upset and disappointed to find his monthly mortgage was higher than he anticipated. So I'm pleased to see that CBS has increased its offer of compensation from £75 to a total of £200. Although I appreciate that Mr M says this is far less than the additional money he will now pay over the two year term, I have explained why I think Mr M was always likely to have ended up taking out this same deal. Because of that, I do think that the offer CBS has made does provide a fair and reasonable outcome to this complaint.

I understand that CBS has already paid £75, and if that's right, my decision will require CBS to pay the outstanding £125 now. I appreciate that Mr M may be disappointed with this decision, but I don't think CBS has to do more than that.

My final decision

My final decision is that Yorkshire Building Society trading as Chelsea Building Society must pay Mr M a total of £200 in compensation. Yorkshire Building Society trading as Chelsea Building Society can count towards that amount the sum of £75 which it previously offered, if that has already been paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 13 January 2025.

Esther Absalom-Gough
Ombudsman