

The complaint

Mr and Mrs S complain that Metro Bank PLC did not give them enough notice that the fixed interest rates on their buy-to-let mortgages were coming to an end.

What happened

Mr and Mrs S had three buy-to-let mortgages on an interest only basis with Metro. The mortgages were all taken out on the same terms. In 2020, they arranged a fixed interest rate of 2.14% for the first 36 months, followed by Metro's standard variable rate (SVR). The mortgages terms were all three years and seven months. The mortgage offers said that Metro had not recommended the mortgages and that it was giving Mr and Mrs S information they could make their own choice about what to do.

Mr and Mrs S said on 22 June 2023, Metro wrote to them to say that the fixed rate on the mortgages was ending and that they would revert to its SVR in August 2023.

Mr and Mrs S complain that they'd understood that the fixed rates would last until the end of the mortgages terms in January 2024. They believe the mortgages were mis-sold and that Metro did not give them sufficient notice about the change in interest rates.

Mr and Mrs S said they told Metro that their strategy was to sell one property, repaying the other with the proceeds of that sale and then remortgaging the third property. They said they needed to change that if they were paying SVR – and urgently remortgaged. But they have had to take a higher interest rate than would have been available had they been given longer notice of the change in interest rates or if Metro had made its offer to honour the existing rates sooner.

Mr and Mrs S also said that Metro incorrectly applied early repayment charges (ERCs) when they repaid their mortgages. They consider Metro has made significant errors, provided poor customer service and failed to address their complaint in a reasonable timescale.

The investigator thought that the paperwork Metro gave Mr and Mrs S set out clearly when the fixed rates would end. She thought Metro's offer of £250 was fair to reflect that it raised Mr and Mrs S's expectation when it would put in place the goodwill gesture in its August 2023 final response to honour the fixed rate. The investigator said that the manner the complaint was dealt with did not affect the resolution of Mr and Mrs S's primary concerns.

Mr and Mrs S did not accept what the investigator said. They made a number of points, including:

- If Metro was not required to send any reminders for buy-to-let mortgages then they did not understand why it sent some reminders and notices.
- The term "reminder" is misleading. They did not want a reminder, only reasonable notice the fixed rates were ending.
- They'd repeatedly asked Metro what level of notice is required by law and regulation, by

good industry practice and by its own procedures. We ought to have considered what level of notice was reasonable. They are astonished that no notice was required.

- In view of the volatility of the mortgage market notice ought to have been given.
- They did not accept that Metro's offer to maintain the lower interest rate was because it accepted it had not given sufficient notice of the change – they did not accept it was goodwill gesture.,
- It was irrelevant that the mortgages were taken on an execution only basis.
- They are not complaining about complaint handling but about breaches of contract and abysmal customer service.

I sent an email to both Mr and Mrs S and Metro explaining that I had reached the same outcome as the investigator but for slightly different reasons. Metro said it had nothing to add. Mr and Mrs reiterated their position and said they'd not been given an explanation of what notice period was required and we could not reach a fair outcome without finding whether Metro had followed its procedure or not.

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.

Notice

I'm required to take into account a number of things in deciding what I consider to be fair and reasonable in the individual circumstances of this complaint. That includes the relevant rules and regulations and what I consider to have been good industry practice at the time in question.

Mr and Mrs S had buy-to-let mortgages with Metro. Buy-to-let mortgages are not regulated – there are no laws, rules or regulations that set out when lenders are required to notify borrowers that an interest rate product is due to end. Mr and Mrs S were running a business. There was a reasonable expectation that they would take reasonable steps to manage that business, including keeping track of when any interest rate products were due to end. It was for them to manage their portfolio and the associated mortgages.

The mortgage offers set out how long the fixed interest rates would run for and how long the mortgage terms had remaining in a clear, fair and not misleading way. So Mr and Mrs S were given sufficient information about how long the fixed interest rates would run for. It was their decision which rates to take – Metro did not give them advice. I think it would be difficult for me to criticise Metro for giving Mr and Mrs S the notice it did in 2020.

In saying that, I agree that Metro has not always been consistent in the way in sent Mr and Mrs S reminders. For example when Mr and Mrs S's rate was due to end in 2020, it gave them five months' notice of that and said they could choose a new rate up to three months ahead. But in 2023, Mr and Mrs S said Metro told them on 22 June 2023 that the mortgage rate would end on 10 August 2023.

Metro has not provided any explanation for the different approach it took in 2023. While I can't see that Metro ever agreed to give Mr and Mrs S a certain amount of notice, I can see that Mr and Mrs S might have an expectation that they would receive a similar amount of notice in 2023 as they had in 2020. On the other hand, as I've said there was no requirement

for Metro to give as much notice as it did previously, the notice that it did give was not out of line with good industry practice and it was for Mr and Mrs S to manage their mortgages.

Nevertheless, Metro has agreed to honour the fixed rates until the end of the mortgage terms. That is more than I could have awarded if I'd upheld the complaint in full. I say that because when we uphold a complaint we usually look to put the affected party in the position they would have been in had they been treated fairly in the first place. Mr and Mrs S would never have been able to keep the existing fixed rates on their mortgages until the end of term. So that is more than I would have awarded. The interest rates available on the market were significantly higher in 2023 than the fixed rates that Mr and Mrs S took out in 2020. So Metro made what I consider to be a generous offer.

Where a business has made an offer to settle a complaint that is as much or more than I would have awarded if I had upheld the complaint in full; I do not need to investigate any further. I say that because we are an informal dispute resolution service. Even if we were to investigate further and find that Metro had not followed its policy, I would have no basis to say that it had to do anything more.

I note that Mr and Mrs S said they had refinanced one property before Metro made its offer to honour the existing rates. But I have not seen any persuasive evidence that the rate they secured was out of line with what they could have obtained or qualified for had they received more notice, or that they would have achieved a better rate if they had waited. So it is not clear they have lost out by refinancing. They always would have needed to do so once the fixed rate ended to avoid paying the SVR. I also have to bear in mind that it was Mr and Mrs S's responsibility to manage their mortgages. So I don't consider Metro needs to do anything else.

September payment

Metro has explained that when it agreed to honour the existing fixed rates it was too late to stop the direct debit being collected in September 2023. That seems likely bearing in mind the timescales involved.

Metro has refunded the difference and made an offer of compensation for any distress and inconvenience, I will address that below.

Complaint handling

While complaint handling is not a regulated activity, in many cases – as here – the complaint arises out of an activity that we can look at. That is really what Mr and Mrs S are concerned about. So the way Metro handled the complaint in this case is either in relation to the secured borrowing or ancillary to it. So I can't see any reason why we couldn't look at it.

But I don't agree that Metro handled the complaint poorly – or where it did its offer of compensation is sufficient (I will deal with that below).

I consider that Metro's responses to the complaints was reasonable and not out of line with what I would expect. They were final responses and gave Mr and Mrs S the option to refer their complaints to us if they did not accept what Metro said. It was their decision to continue to write to Metro – at least 17 times in around four months.

Compensation

Metro offered to honour the interest rates. Whether that was a gesture of goodwill or redress to put right a mistake, it is more than I would have awarded. There would have been no

basis for me to make a similar award had Metro not done so.

Metro has refunded the ERC. It has also paid Mr and Mrs S £100 in its August 2023 final response, £200 in its October 2023 final response, £250 in its November 2023 final response, £500 in its January 2024 final response. That is a total of £1,050. That would be the type of award we would make where the impact of a mistake has caused substantial distress, upset and worry – sometimes including serious offence or humiliation or disruption to daily life, with the impact felt sometimes over a year.

Whichever way I look at things, I do not see how I could fairly or reasonably justify that Metro should pay Mr and Mrs S any more compensation. Its payment of £1,050 for any distress and inconvenience its actions caused is significantly higher than I would have awarded in the circumstances – even if I upheld Mr and Mrs S's complaints in full. I consider that Metro has made a fair, if not generous, offer to settle the complaint. I don't see how I could fairly require it to do any more.

Mr and Mrs S said they are unsure if they'd received all of the compensation that was paid. All of the final responses set out the amount that was paid. So they had a reasonable opportunity to query that at the time if they had not, in fact, received the payments. It is for them to check their records. If they have not received a payment as expected they would need to contact Metro directly.

My final decision

My final decision is that Metro Bank Plc has already made a fair offer to settle this complaint. It does not need to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S and Mr S to accept or reject my decision before 14 January 2025.

Ken Rose
Ombudsman