

The complaint

Mr B complains that Clydesdale Bank Plc trading as Virgin Money did not switch his buy-to-let mortgage to a new fixed rate as he requested.

What happened

Mr B has a buy-to-let mortgage with Virgin Money. His existing fixed rate was due to expire in December 2022.

Mr B said that in August 2022, Virgin Money wrote to him offering a new two-year fixed rate of 3.2% - but he did not receive the letter and missed the deadline for that rate. He said when he contacted Virgin Money it offered him a different two-year fixed rate of 3.6%. During that phone call, Virgin Money talked Mr B through the online switching process and Mr B believed he had accepted the deal.

On 6 October 2022, when Mr B had not received any paperwork, he contacted Virgin Money again and it said it could not find his application and the new fixed rate was not in place. Mr B complained. But he said each time he followed up with Virgin Money it had not dealt with his complaint – and it would not confirm what would happen if he took a different deal or switched lenders. In the meantime, his mortgage reverted to the standard variable rate (SVR). I understand Mr B switched to a new fixed rate in March 2023. He wants Virgin Money to honour the original interest rate or waive the early repayment charge (ERC) on the mortgage.

In October 2022, Virgin Money said it told Mr B if he took out a new fixed rate, it would honour the original interest rate if it came to light it had made an error. But he didn't to apply for a new rate until March 2023. It said that by not doing so, Mr B had not mitigated his loss. Virgin Money offered Mr B £250 for any distress and inconvenience caused by the service it provided.

The investigator said that there was insufficient evidence to show there was an error by Virgin Money in processing Mr B's application. She was satisfied that Virgin Money had told Mr B to submit a new application and he could have avoided reverting to SVR if he had done so. She thought £250 was fair and reasonable to recognise the poor service from Virgin Money.

Mr B did not accept what the investigator said. He made a number of points, including:

- He asked Virgin Money if he would be tied into a deal, but it never gave him an answer. If he'd been able to get an answer, he could have avoided reverting to SVR.
- He spoke to Virgin Money on 15 February 2023 and was told that his complaint had not yet been allocated to a case handler. And he chased a resolution to his complaint several times in February 2023.

That did not change the investigator's mind. She said that Mr B reverted to SVR in December – but he did not attempt to check the position regarding the ERC with Virgin

Money until February 2023. So its lack of response was not the reason Mr B's mortgage reverted to SVR.

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 can't see that Virgin Money acted unfairly or unreasonably when it initially spoke to Mr B. I don't think it could reasonably be interpreted that it was applying for the new rate on behalf of Mr B – it was merely guiding Mr B through the online application process. And I can't see it made any errors in doing that.

When Mr B complained in October 2022, Virgin Money explained that he should apply for a new fixed rate – and that if it upheld his complaint, it would honour the 3.6% fixed rate. I consider this was the correct approach for it to take. Usually where a consumer has suffered a loss, they should take reasonable steps to prevent that loss growing. Mr B could have done that by switching to a new rate in October 2022. Ultimately, it was his decision whether to do so or not – either with Virgin Money or another lender.

While I understand that Mr B wanted to know if Virgin Money would waive the ERC if it did not uphold his complaint or compensate him if he went to a different lender, he did not ask Virgin Money about that until February 2023. That was after the mortgage had reverted to SVR – and several months after Virgin Money had told him to apply for a new rate. I don't see how I could reasonably hold Virgin Money responsible for that.

I agree that the service from Virgin Money, including the delay to investigating the complaint, has been poor. But I think its offer of £250 fairly reflects any distress and inconvenience Mr B suffered as a result of the poor service.

My final decision

Virgin Money has offered Mr B £250. In all the circumstances I consider that is a fair amount to settle the complaint.

My final decision is that Clydesdale Bank Plc trading as Virgin Money should pay Mr B £250.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 8 February 2024.

Ken Rose
Ombudsman