

The complaint

The estate of Mrs C complains about delays by The Royal Bank of Scotland Plc (RBS) in receiving the benefits from this policy and further administrative delays. This follows confusion over an underpayment to settle a mortgage.

What happened

In March 2000, RBS sold the late Mrs C a decreasing life and critical illness cover policy, alongside a mortgage. The policy was provided and administered by a third-party.

The policy was a condition of the borrowing and was sold to mirror the liability. It had an initial sum assured of approximately £23,500 for an initial monthly premium of £23.15 and a term of 25 years.

A claim was made under the policy in March 2020, following Mrs C passing away. The plan provider wrote to RBS in March 2020 to confirm the proceeds had been paid to them (approximately £11,500) directly, towards paying off the remaining mortgage.

The provider then confirmed in August 2020 that a further approximate £2,225 (including interest for the delay in payment) had been paid to RBS, following an error in calculating the full benefit amount. The provider says they also paid the estate £100 compensation for this.

The estate of Mrs C complained to RBS. They said that RBS had incorrectly said that the additional payment hadn't been received. RBS responded and acknowledged misinformation had been given. They said it was a banking error and they should have explained the payment had been received but applied to different parts of the mortgage. They credited the mortgage with £200 as compensation for the inconvenience caused.

The estate of Mrs C subsequently noticed the additional proceeds from the provider were no longer showing as credited against the mortgage debt. RBS responded to say that their previous response had been incorrect. They said the amount had been sent from the provider with incorrect details including account number and missing the corresponding surname for the account. They said the account had been located and so the funds had been showing as applied to them, but as the details didn't match the payment was returned in September 2020.

The complaint was brought to our service for an independent review. An investigator looked into it, she noted that the payment was subsequently received correctly and credited to the mortgage on 29 September 2020 and that the closure was backdated to the original August date. She thought this, along with the £200 compensation, was a reasonable settlement.

The estate of Mrs C remained unhappy. They said, amongst several points in response, they didn't believe the payment had been sent incorrectly from the third-party and that RBS hadn't done enough to put things right. The complaint has now been passed to me for 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.

Having done so, I have come to the same conclusion as the investigator, for broadly the same reasons. I'll explain why.

Firstly, I would like to sympathise with the representatives of the estate. In what was already a very difficult time for them, this process took longer than it should have, through no fault of theirs. They have also been waiting too long for an answer from our service about this and I am sorry for that.

However, I want to make clear that this complaint is brought by the estate of Mrs C's executors, on the late Mrs C's behalf. We can't compensate executors for any impact incurred to them personally, when representing an estate. What we can do, is make sure that errors have been put right and the estate has suffered no financial loss from delays. From the evidence provided to me, I think this has now been done.

I am satisfied that when the life policy benefit was sent to RBS in August 2020, it didn't have the correct details. RBS have shown us that the incorrect account number was presented. Whilst RBS have said that they managed to attribute this to the correct account, it was still returned to the provider due to the incorrect details in September.

I can't be sure from the information provided to me why this happened. RBS have said that it was returned at the request of the life provider, and they have suggested it was due to a reconciliation. However, the mortgage was still backdated as if payment had been received on the initial date in August 2020, with no further interest or charges from that point. I think that is fair. They also paid £200 to the mortgage for their part in the inconvenience this caused and not being able to give a full explanation at the time. As explained above, this is more than I would be able to award.

The estate of Mrs C has suggested that the payment should've been backdated as if it had been received and credited in January 2020. However, from the evidence provided to me, I haven't seen anything to conclude that this amount (approximately £2,225) wasn't received sooner as a result of an RBS error.

The estate of Mrs C have also complained that they weren't notified sooner by RBS that the mortgage debt had been settled. I can see this was a difficult and worrying time, with payment demands being sent with repercussions of failure to pay included. The full amount was received by RBS on 29 September 2020 and the mortgage discharge letter and title deeds weren't sent until 14 November 2020. I would've expected this to have been done sooner and from experience (whilst it is dependent on other factors) it is usually completed within 30 days. Whilst I can see it took slightly longer than this, there was liaison with solicitors required and delays due to staffing issues because of Covid-19. I am glad to see RBS have put things right by ensuring there were no charges during this time. I think this is fair and I won't be asking them to do more here.

In summary, I think RBS have done enough to put right any mistakes and delays caused. They have backdated the mortgage as if it was credited with the outstanding payment in August 2020 and I think this is fair.

My final decision

My final decision, for the reasons set out above, is that I don't uphold this complaint and I don't require The Royal Bank of Scotland Plc to do anything further to put things right, than they already have.

Under the rules of the Financial Ombudsman Service, I'm required to ask the estate of Mrs C to accept or reject my decision before 20 November 2023.

Yoni Smith
Ombudsman