

The complaint

Mr F complains that Bank of Scotland plc trading as Halifax wouldn't let him switch the interest rate on his mortgage without speaking to a mortgage adviser.

What happened

Mr F has a mortgage with Halifax. As he was on Halifax's standard variable rate (SVR), he wanted to fix a new rate and decided on a five year term.

Mr F went online to try to switch his rate but was unable to do so. Halifax's website told him that as he had an interest only mortgage he couldn't arrange a new rate online and would need to book a telephone appointment with a mortgage adviser.

Mr F said he tried to arrange a telephone appointment but had trouble getting through. Eventually he arranged an appointment for 28 February 2022. He says that as this was the last day of the month he assumed that a new fixed rate would start from the following month – from 1 March.

However, Mr F was told this wasn't possible. Following the appointment Halifax would need to send him a new mortgage offer in the post which he would have to sign and return. Mr F says he sent the forms back on 4 March, but Halifax didn't implement his new rate until 1 April. This meant he had to pay additional interest of around £90 for the month of March.

Mr F complained that he wasn't able to switch his interest rate online, so that it would have been in place for 1 March. He didn't think it was fair that as an interest only customer he couldn't do so – but would have been able to switch online if he had a repayment mortgage. To resolve matters he wants the additional interest he paid refunded, and he wants to be able to use the online switching service in the future.

Halifax said it requires interest only customers to speak to a mortgage adviser so it can check that the mortgage is on track, and in particular that there's a means of repaying the capital at the end of the term. This meant that it could also give advice about options if there wasn't a means of repaying. It didn't think it had acted unfairly.

Our investigator didn't recommend upholding the complaint, so Mr F asked for it to be reviewed by an ombudsman.

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.

Mr F took his mortgage out in 2009. His most recent fixed rate had expired in July 2021 and his mortgage had reverted to Halifax's SVR. Mr F says he first tried to contact Halifax about taking a new rate around 3 February 2022 – he says was told then that he could switch online, only to discover that wasn't possible.

Mr F complained and a Halifax adviser called him to arrange the mortgage switch, but Mr F

wasn't available at that time. He made an appointment on 28 February, returned the paperwork on 4 March, and completed his new interest rate on 1 April.

There are two parts to Mr F's complaint; whether it was reasonable to require him to take advice rather than using the online switching process, and the overall time taken.

I think it was reasonable to require Mr F to speak to a mortgage adviser rather than to switch online. He has an interest only mortgage, and the regulator has given guidance to lenders about keeping in regular touch with interest only borrowers to make sure there are plans in place to ensure their mortgages can be repaid at the end of the term. One of the ways Halifax has chosen to do this is as part of the rate switch process. It requires interest only borrowers to receive advice so it can check in on their repayment strategy and offer advice about options if there isn't an adequate strategy in place.

I don't think that's unreasonable, or that it's unfair that this is a different process for borrowers with repayment mortgages for whom repaying the capital in a lump sum isn't an issue.

Halifax doesn't refuse a rate switch if there isn't a repayment strategy in place; it just uses the rate switch process as an opportunity to check in and consider options.

In this case Mr F didn't have a repayment strategy. Halifax advised him to consider switching some or all of the mortgage to repayment terms. Mr F didn't want to do that, but Halifax still went ahead with offering a new fixed rate on interest only terms.

I don't think Mr F was treated unfairly because, as an interest only borrower, he wasn't permitted to use the online process and had to speak to a mortgage adviser.

I also don't think he was treated unfairly in the time taken. He says he was offered the chance to go through the switching process around 15 February, but that wasn't convenient. Overall, I don't think the time taken for an appointment to be arranged, on 28 February, was unreasonable. There are limits on the number of appointments Halifax can offer, and – as here – not every appointment it has available is convenient to its customers.

Once the appointment went ahead, the paperwork was sent out to Mr F and returned straightaway, and his new rate was implemented for the start of the month following his acceptance – on 1 April. Again, that's not unreasonable. It's standard for a new rate to begin on the first of the month and as the appointment was on 28 February there wasn't time for the paperwork to be sent out and returned, and the rate set up, by 1 March. It might have been implemented by 1 March if Mr F had been able to switch online in early February, but I've already explained why it's fair that wasn't possible for him as an interest only borrower.

Overall, I'm satisfied Halifax followed a fair process, didn't delay unduly, and implemented Mr F's new rate on the first date possible.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 15 December 2023.

Simon Pugh
Ombudsman