

The complaint

Mr H and Mr M have complained that Bank of Scotland plc trading as Halifax didn't remove a concessionary discounted staff interest rate on the mortgage after Mr H left his employment with the bank's parent group. As a result, the mortgage remained on a lower rate of interest for an extra six-month period.

Mr H, who has dealt with the complaint throughout, says that as a result of Halifax's error he and Mr M lost out on being able to secure a lower interest rate on their mortgage. He also says that Halifax failed to provide sufficient notice that the concessionary rate was being removed. To settle the complaint, they would like Halifax to put the mortgage on the lowest rate available on 1 July 2023 and to pay "*significant*" compensation for the bank's error.

What happened

I do not need to set out the full background to the complaint. This is because the history of the matter is set out in the correspondence between the parties and our service, so there is no need for me to repeat the details here. Our decisions are published, so it's important I don't include any information that might lead to Mr H and Mr M being identified. In addition, Halifax has acknowledged it made an error, so I don't need to analyse the events in detail in order to decide this; all I need to determine is what the bank needs to do to put things right.

So for these reasons, I will instead concentrate on giving the reasons for my decision. If I don't mention something, it won't be because I've ignored it; rather, it'll be because I didn't think it was material to the outcome of the complaint.

Briefly, after being made redundant from his employment in the Lloyds Banking Group in June 2021, Mr H was entitled to retain his concessionary staff mortgage interest rate for a further 12-month period – until June 2022. This applied to the main account. In May 2022 Mr H asked when the rate was due to expire, but staff weren't able to give him a clear answer.

In error, the rate wasn't removed in June 2022. Mr H noticed in August 2022 that the concessionary rate hadn't been removed and asked again when it was due to expire. Mr H said Halifax did not call him back about this.

The error came to light in October 2022, and a letter was issued giving 28 days' notice of removal of the rate. Mr H and Mr M say they didn't receive this letter. Mr H said it wasn't until late November 2022 that he and Mr M were first told that the rate was being removed with effect from 1 December 2022.

Halifax noted that when Mr H had asked about the expiry date of his concessionary interest rate in May 2022, he hadn't been given a clear answer. Halifax paid compensation of £250 for this. As a gesture of goodwill, Halifax also offered Mr H and Mr M an additional £346.56, being the difference in the concessionary rate and the bank's standard variable rate (SVR) for December 2022. Halifax noted that Mr H had accepted that he knew the concessionary rate was only in place for 12 months. The bank said that he and Mr M could have arranged a new interest rate, but it was their choice not to do so.

The mortgage also had a sub-account which was on a fixed rate of interest. In error the fixed rate product on the sub-account was removed in December 2022. However, because Mr H and Mr M had decided to move their mortgage to a new lender, Halifax didn't reinstate this, because otherwise an early repayment charge (ERC) would have applied. It was therefore more beneficial not to reinstate the fixed-rate product.

Mr H and Mr M weren't happy with the compensation offered and complained to this service. An investigator looked at what had happened but didn't think the bank needed to do anything more. He was satisfied that Mr H knew his interest rate concession would remain in place for 12 months, because Mr H had contacted Halifax to check this about this before it expired. Due to the bank's error in not removing the rate, the mortgage was on a lower interest rate than it should have been for six months. Overall, the investigator didn't think there'd been any detriment to Mr H and Mr M and that the compensation offered was fair and reasonable.

Mr H asked for an ombudsman to review the complaint. Mr H said that the bank's failure to contact him has cost him *"thousands in interest payment hikes"*. Mr H also criticised the bank's systems for communicating with customers. Mr H said he and Mr M will *"suffer the interest hikes and backlash of this for years to come"*.

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 reached the same conclusion as the investigator, for broadly the same reasons.

It's clear from what he told us that Mr H knew his concessionary interest rate was in place for 12 months from June 2021. Once June 2022 had passed, I'm satisfied that Mr H knew, or ought reasonably to have known, that the continued application of that rate to the mortgage was probably a mistake by the bank.

I note that bank staff weren't able to answer Mr H's query about when the rate expired when he asked about it in May 2022, or when he spotted the bank's mistake in August 2022 and queried it again. I think that this is most likely because the rate was HR-linked to Mr H's status as a former employee, and so the information wasn't accessible to front-level staff.

Mr H has acknowledged that, because the bank hadn't contacted him about expiry of the staff rate (notwithstanding he was aware it was only for 12 months from June 2021) he and Mr M didn't look for another rate. I appreciate that by the time the bank realised it had made an error interest rates had increased. The consequence of the bank's error was that for six months Mr H and Mr M had the benefit of a concessionary interest rate to which they were not entitled.

No ERC applied to the concessionary rate, so Mr H and Mr M could have arranged a new interest rate product at any time. Certainly after June 2022 I think it would have been reasonable for Mr H and Mr M to have looked for a new interest rate product, given that I am satisfied that Mr H was aware that his interest rate product was only in place for 12 months from June 2021.

I've noted Mr H's criticism of the bank sending a letter rather than a secure message. I can't tell Halifax how to run its business; it's up to the bank to decide the best way to communicate with customers.

I don't know why Mr H and Mr M didn't receive the letter dated 22 October 2022 informing them that the mortgage would revert to the bank's SVR from 1 December 2022. It was correctly addressed to them at the secured property, and wasn't returned to the bank as 'undelivered'. Non-delivery of mail is something Mr H and Mr M will need to take up with Royal Mail, as I'm not persuaded the bank is at fault here.

I can understand why Mr H and Mr M were upset, as they say they first knew the concessionary rate was being withdrawn at the end of November 2022. But I think the redress Halifax offered – covering the difference in payment between SVR and the concessionary rate for December 2022 – is fair, and is more than the bank was required to do.

Putting things right

Halifax has accepted its customer service could have been better, and I agree that Mr H should have been given a clearer answer to his queries about the date when his concessionary rate would end – even if that answer had been that this was HR-restricted information. But balanced against that is the fact that Mr H knew the rate was in place only for 12 months from June 2021, and so I am satisfied that after June 2022, he and Mr M received a benefit to which they were not entitled, albeit due to a mistake by Halifax.

Overall, I think the bank's offer of £250 for inconvenience is fair. I also think Halifax's goodwill gesture to pay £346.56 (to cover the difference in the monthly payment at SVR and the concessionary rate for December 2022) is also fair and reasonable.

Mr H and Mr M haven't raised any additional concerns about the removal of the fixed rate on the sub-account. They have suffered no detriment in relation to the bank deciding not to reinstate this (due to Mr H and Mr M's plan to re-mortgage, meaning they would avoid the ERC if the sub-account wasn't reinstated) and so I don't require Halifax to do anything further in relation to this matter.

My final decision

My final decision is that, if it has not already done so, Bank of Scotland plc trading as Halifax must pay Mr H and Mr M a total of £596.56 in full and final settlement of this complaint. I make no other order or award.

This final decision concludes the Financial Ombudsman Service's review of this complaint. This means that we are unable to consider the complaint any further, nor enter into any correspondence about the merits of it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H and Mr M to accept or reject my decision before 4 December 2023.

Jan O'Leary
Ombudsman

