

The complaint

Ms P complains that Bank of Scotland plc trading as Halifax closed her mortgage account without her agreement. Ms P wants Halifax to re-open the account and retain her title deeds.

What happened

Ms P had a mortgage account with Halifax with a remaining balance of £83.27. Ms P paid off most of her mortgage by 2007 leaving a small balance. Her deeds were held with Halifax's Deedstore scheme. On 17 January 2023 Ms P paid off most of the remaining balance due leaving a balance of £10. On 26 January 2023 she got a letter from Halifax telling her the account was closed and the paper deeds would be returned to her. Ms P contacted Halifax and was told that accounts are closed when the balance reaches a certain limit although she wasn't told about this previously. On 27 January Halifax told Ms P that it wouldn't be reopening the account and that the deeds would be sent to her.

Halifax said that it operated a Deedstore scheme whereby customers who had paid off their mortgages could if they left a small balance retain their paper deeds. Halifax says that this is a facility that it no longer is continuing to offer and all Deedstore accounts are being reviewed. Our investigator didn't recommend that this complaint should be upheld as there was no need for Halifax to hold the deeds. Ms P disagreed and asked for a review.

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.

Halifax, as a mortgage company is a lender that lends money based on the security of property. It secures its loan by taking a charge over a customer's property. Traditionally the customer signed a charge document and that was held by Halifax along with the customer's deeds during the course of the mortgage and the deeds returned to the customer when the mortgage was paid off. But following a process known as "*dematerialisation*" lenders may no longer require the actual paper deeds as the Land Registry will record who owns the land and also record the lender's charge on the land.

As Ms P took out her mortgage before this dematerialisation, her deeds were held by Halifax. Halifax offered a facility whereby if the customer's mortgage was coming to an end and they left a nominal amount in the account - up to £125 - they would have the facility to leave the deeds with the Halifax. But Halifax is now withdrawing this facility. Ms P says that it shouldn't do so for a number of reasons including she hasn't paid off her mortgage and the terms require her to get a redemption statement before the mortgage is redeemed and she never asked for that.

It seems to me that the only reason that Halifax originally held the deeds was not as a facility to Ms P but to protect its security. The deeds belong to Ms P and if Halifax no longer required the deeds, they should be returned to Ms P. Halifax says that Ms P's mortgage is paid off and it's returning the paper deeds to her. Ms P says she didn't pay it off. But I would have thought that Halifax could at any time return the deeds as it only held them as security

against non-payment and if it thought it didn't need this security it could have returned the deeds at any time. They are Ms P's documents.

Ms P says that if she wished to pay off a mortgage she would require a redemption statement,. But a redemption statement is only necessary if there is uncertainty about the amount of the mortgage balance but in this case that balance has been clear for some years. I also note that the final balance was written off by Halifax and not in fact redeemed by the customer.

There is a separate issue that Halifax was performing a secure holding service for the deeds - the Deedstore scheme - and that Ms P had a reasonable expectation that this service would continue. Halifax indeed appears to have provided this facility, but I've seen no document confirming that Halifax would keep the facility open indefinitely and indeed Ms P wasn't paying for the service. So, I can't see why Halifax couldn't bring it to an end which in fact it did. It seems to have been brought to an end in Ms P's case fairly abruptly, but I do consider that she was given a reasonable period to expect the return of the deeds and had time to organise any alternative arrangements for storing the paper deeds that she wished to make.

From the information and documents I've seen, my view is that Halifax could have returned the deeds to Ms P at any time. Deedstore was a facility offered by Halifax, but it wasn't open ended. There was no promise that it would always be available and so it seems to me that Halifax could bring it to an end at any time it wished. So, in doing that, I can't fairly say that Halifax did anything wrong and I can't fairly uphold his complaint.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms P to accept or reject my decision before 2 November 2023.

Gerard McManus
Ombudsman