

The complaint

Mrs B and Mr B complain that Hinckley and Rugby Building Society have mismanaged their mortgage account, costing them financially and causing them distress and inconvenience in the process.

What happened

Mrs B and Mr B hold two mortgage accounts linked to two offset accounts with Hinckley and Rugby Building Society – one taken in 2006 and a second account opened for further borrowing in 2009. Each account is subject to a different interest rate.

In January of this year, Hinckley and Rugby Building Society chose to merge the two accounts to bring them in line with its usual process and do not appear to have given Mrs B or Mr B advance notice of this change.

Upon being informed of the change Mr B requested it be reversed. Highlighting to Hinckley and Rugby Building Society that the accounts were on different rates and linked to two separate offset accounts – the merging of which would have a negative financial impact.

Hinckley and Rugby Building Society agreed to reverse its decision the next day and in response to Mr B's queries about whether his credit interest would be negatively impacted, assured him that everything would be calculated correctly.

That evening, Mr B noticed that an extra £66.607 in interest had been applied to his mortgage balance. He explained that as he noticed this in the evening, it left him with a sleepless night worrying about what had happened. Hinckley and Rugby Building Society amended this as soon as Mr B brought it to its attention.

At the same time as the above was happening, two withdrawals were made from Mrs B and Mr B's accounts, but they were sent to bank accounts they no longer had access to. Causing further concern that the withdrawals had gone missing. Hinckley and Rugby Building Society explained that in closing one of the accounts, it has also cancelled the direct debits linked to that account. And when reversing its decision to merge the accounts, it reinstated the wrong direct debit but did not realise until Mr B brought this to its attention.

At the end of the month, Mr B noticed that the credit interest had been applied incorrectly – leading to a lower amount being applied than he expected. He raised this with Hinckley and Rugby Building Society and it remedied the error promptly.

Unhappy with the chain of events Mrs B and Mr B complained. In response, Hinckley and Rugby Building Society apologised, offered an explanation and £75 in compensation. Dissatisfied with its response, Mrs B and Mr B referred their complaint to our service.

One of our investigators looked into the complaint and recommended that Hinckley and Rugby Building Society increase its offer to £125. It agreed to do so but Mrs B and Mr B asked that the complaint be referred to an ombudsman for a decision – they do not agree that the amount proposed goes far enough to recognise the distress and inconvenience

Hinckley and Rugby Building Society caused.

As the complaint could not be resolved informally, it has been passed to me to decide.

I wrote to both parties letting them know that I was minded to increase the compensation amount to £350. I explained that I did not think the amount recommended by the investigator was sufficient to recognise the compounding impact of Hinckley and Rugby Building Society's errors and the distress this caused Mrs B and Mr B. I set a deadline within which I invited both parties to provide any further comments or information they would like me to consider.

As that deadline has now passed and neither party responded, it is appropriate for me to issue my final 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.

When considering what is fair and reasonable in all the circumstances, I am required by DISP 3.6.4R of the Financial Conduct Authority's ("FCA") Handbook to take into account:

'(1) relevant:

- (a) law and regulations;
- (b) regulators' rules, guidance and standards;
- (c) codes of practice; and

(2) (where appropriate) what [I consider] to have been good industry practice at the relevant time.'

I also focus on what I think is material and relevant to reach a fair and reasonable outcome. So, although I have read everything that has been supplied to me, I may not address every point that has been raised.

Having done all that, I think this complaint should be upheld.

It is clear that the actions and on occasion, inaction, of Hinckley and Rugby Building Society have led to a great deal of distress for the consumers. And while I acknowledge that the errors were rectified promptly by the business, this was only after Mr B contacted it to alert it of the impact of its actions.

There is no evidence to suggest Hinckley & Rugby Building Society proactively tried to account for the knock-on impact of its decision to merge the accounts in January 2023. Had it done so, it may have prevented the events that followed in respect of the incorrect calculation of interest, an artificially inflated mortgage balance and the wrong direct debit mandate being reinstated. And with it, the need for the consumers to closely monitor their account to ensure they were not being financially disadvantaged and the stress, worry and doubt they have now experienced.

I find Mrs B and Mr B's account of how this series of events has impacted them to be plausible and persuasive. And I can also understand why they now feel unable to rely on the information Hinckley and Rugby Building Society has provided to them.

Mr B has had to reach out to Hinckley and Rugby Building Society numerous times both to seek reassurance that there would not be a detrimental impact to the accounts by virtue of the merger and then to highlight to Hinckley and Rugby Building Society that it had not remedied the errors. It is understandable that this caused Mrs B and Mr B a considerable amount of stress and worry.

In light of this and as I proposed to both parties, I am going to direct Hinckley and Rugby Building Society to increase its offer of compensation to reflect the undue distress and inconvenience its actions have caused.

Putting things right

Hinckley and Rugby Building Society should now pay Mrs B and Mr B £350 in compensation.

If Hinckley and Rugby Building Society has already paid Mrs B and Mr B compensation following its final response letter or our investigator's assessment, it can deduct this amount from the £350 I have awarded.

My final decision

For the reasons stated, I uphold this complaint and direct Hinckley and Rugby Building Society to compensate Mrs B and Mr B as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B and Mr B to accept or reject my decision before 17 January 2024.

Lucy Wilson
Ombudsman