

The complaint

Mr and Mrs R complain about the way Bank of Scotland plc (trading as Halifax) handled their request for a payment holiday on their mortgage. They complain that as a result of the advice given by Halifax representatives, they were unable to re-mortgage or switch to a lower interest rate product when their existing fixed rate was approaching expiry. They also complain that Halifax took a long time to sort out the problem, which added to the distress and inconvenience caused.

Whilst this complaint has been brought by Mr R and Mrs R about their joint mortgage, it has been Mr R primarily dealing with the mortgage and complaint. So I will refer mainly to him throughout my decision.

What happened

Mr R called Halifax in June 2022 to ask for a payment holiday on his joint mortgage with Mrs R, as his income was going to be reduced in the coming months. Halifax explained that Mr R and Mrs R weren't eligible for a payment holiday, but they could discuss a reduced payment arrangement instead. Mr R completed a budget planner and discussed with Halifax what he and Mrs R could afford to pay, and a reduced payment arrangement was agreed for the months of July, August and September 2022.

In September 2022 Mr R's broker tried to apply to Halifax for a new interest rate product on Mr R and Mrs R's behalf, but was unable to view the account. Mr R contacted Halifax and they explained there was a warning on the account due to the arrears. Mr R complained that he wasn't told the arrears would need to be cleared before he could re-mortgage or switch rate. He explained they wouldn't be able to afford the payments if they can't get a new interest rate. The Halifax representative explained they could look at other options such as a term extension but would need to review Mr R and Mrs R's circumstances again before any changes are made.

Later that month Mr R and Mrs R cleared the arrears on the account with the help of family. But the broker was still unable to access the account and sort a product switch.

Halifax issued two final response letters to his complaint. On 15 September 2022 they said the information Mr R was given when the payment arrangement was agreed was reasonable. They did however note that the call handler Mr R had spoken to earlier that month could have been clearer, and had given some incorrect information. They apologised for this and explained feedback would be given. The letter said the warning on the account would be removed.

Mr R called back in October as his broker still wasn't able to make an application for a new interest rate on the account. Halifax found there was an administrative issue with the way the sub accounts were balanced, and it also looked like there was already an application in progress which may have prevented the broker from being able to start a new one. Mr R discussed the current rates available with Halifax, and requested that he access those that had been available in September as they'd increased since then. In the meantime, a new rate was agreed from the current products to prevent the mortgage reverting to the standard

variable rate (SVR) whilst the complaint was ongoing.

On 19 October 2022 Halifax issued another final response letter. They agreed to honour the rates that would have been available to Mr R and Mrs R on 16 September after they'd cleared the arrears on the mortgage. They also paid Mr R and Mrs R £150 to apologise for the delay caused in switching the rate.

Mr R and Mrs R selected an interest rate product, and this was applied to the account. However, it wasn't in place before the expiry of the existing product on 31 October, so Halifax agreed to backdate the rate to 1 November 2022. They sent Mr R and Mrs R a letter on 29 November to confirm that had been done, and the difference in interest paid had been refunded to the account.

In March 2023 Mr R and Mrs R brought their complaint to our service. Our investigator looked into things, and ultimately recommended that Halifax pay Mr R and Mrs R another £100 for the distress and inconvenience caused by the administration issues that delayed the rate switch.

Halifax agreed to pay the additional amount, but Mr R and Mrs R asked for the complaint to be referred to an ombudsman. So the complaint has been passed to me to issue 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.

I appreciate Mr R's strength of feeling about this complaint, and the difficulties his family have faced in recent years. Whilst the above is only a brief summary of the events leading to this complaint, I want to assure all parties that I have reviewed and considered their submissions carefully before issuing this decision.

When Mr R called Halifax in June 2022, it was clear he was trying to be pro-active and manage his and Mrs R's financial situation by asking for support in advance of their change in circumstances. I've listened to the conversation Mr R had with Halifax in June, and I'm satisfied that whilst Halifax didn't apply the payment holiday that was requested (I'm satisfied Mr R and Mrs R didn't meet the eligibility criteria for this), they did offer appropriate forbearance by agreeing to an arrangement based on what Mr R agreed they could afford.

Whilst Mr R did make it clear in this conversation that he was planning to re-mortgage in October, I'm also satisfied that Halifax made it clear to Mr R that the payment arrangement would be reported on his credit file, this would affect his credit score, and would show for six years. The Halifax representative also clearly explained the amount of arrears that would accrue on the account during the arrangement, and that Mr R would need to get back in touch in September to update them on his and Mrs R's circumstances, and to agree how the arrears would be cleared.

I've thought carefully about whether the representative should have gone further and discussed the potential implications the payment arrangement could have on any application for either a re-mortgage to another lender, or a rate switch with Halifax. The Halifax call handler would not have been in a position to advise Mr R on what the arrangement might mean for other lenders' criteria for a new mortgage. He could have told Mr R that he wouldn't be eligible for a new rate with Halifax whilst there were arrears on the account of more than one month. But they discussed that a conversation would need to take place in September to agree a way forward to address the arrears, and they acknowledged the fact that would still leave time to make changes before his rate expired.

Mr R has said that if he'd known they wouldn't be able to re-mortgage in October 2022 having taken the payment arrangement, he wouldn't have agreed to it in the first place. He said they would have found a way to make the payments, and could have taken a loan to get them through the period of reduced income instead if necessary. I appreciate that this could have been an option for Mr R and Mrs R, but there's no guarantee that they would have been approved for a loan at that time. Especially one that would have made it cost effective to take a short-term loan rather than wait until the payment arrangement had ended to book a new rate with Halifax. And it was clear from the discussion Mr R had with Halifax at the time that there was no other way they'd be able to make the full monthly payments in the absence of any further borrowing.

Mr R and Mrs R had a reduced income in 2022. They were unable to afford their contractual monthly payments on their existing interest rate product that was 1.52% at the time, hence why they asked Halifax for support. The rates available in 2022 both with Halifax and the wider market were much higher than what they were currently paying. In order to re-mortgage to another lender, as noted by Mr R and Mrs R's mortgage broker at the time, they would have had to make an application as new borrowers, which would have included a full affordability assessment, and would have taken some time. Mr R and Mrs R's broker has said an external re-mortgage would not have been possible at the time based on their circumstances. Overall, I'm not persuaded that but for the 2022 payment arrangement, Mr R and Mrs R would have been able to successfully re-mortgage to another lender on more favourable terms than what they've now agreed with Halifax. There are too many unknown variables that would have influenced that outcome. I think it's likely they always would have had to stay with Halifax regardless of the payment arrangement.

Mr R and Mrs R were able to switch their interest rate product with Halifax. And whilst this did take some time – they ended up in the position they would have been in had they booked a new rate in September, and switched when their existing rate expired. However, Mr R says he could have booked the new rate in August (which would have been lower) if there were no arrears on the account.

Mr R and Mrs R's broker contacted them in May 2022 about their likely options at the end of their existing product. Both Mr R and the mortgage broker have told us that they had conversations in August and September to discuss the situation, as it was in Mr R and Mrs R's interests to get a new deal booked in as soon as possible given the rate rises that were happening at the time. But there's no evidence of Mr R's broker attempting to apply for a new deal before September. When he did apply, he found he wasn't able to because of the arrears on the account, and so that's when Mr R contacted Halifax to find out what was going on. I think it's likely that if the broker had tried to apply for a new rate in August on Mr R and Mrs R's behalf, he would have had the same problem, and Mr R would have called Halifax at that point to find out why an application couldn't be made.

In order to ask Halifax to apply and backdate a rate that would have been available to Mr R and Mrs R in August, I would have to be persuaded that an application would have been successful but for something that Halifax had done wrong. I'm not persuaded Mr R and Mrs R attempted to take a new rate in August, so I'm not persuaded that it's a result of Halifax's actions that they've lost out on those rates.

In summary, whilst I think Halifax could have given Mr R and Mrs R more information about how the payment arrangement could impact their ability to switch to a new interest rate product, I'm not satisfied they've suffered a financial loss because of that, for the reasons I've explained above. Mr R waited until September to apply for a new rate (via his broker), and I'm not persuaded Halifax are at fault for that.

However, once an application had been made and the arrears were cleared it still took some

time for Halifax to confirm the rate that would be applied to the account. Mr R and Mrs R were clearly concerned about how they were going to be able to afford their mortgage payments on the expiry of their existing rate, and it took longer than it should have done for Halifax to give the assurance they needed. Mr R spent time and energy going backwards and forwards with his broker and Halifax and I think some of that could have been avoided.

Putting things right

As a result of the distress and inconvenience caused by Halifax, I'm satisfied they should pay Mr R and Mrs R £100 in addition to what's already been paid to put things right. I appreciate that Mr R and Mrs R are likely to be disappointed with the award, as I understand how stressed they were at the time. But I can only direct Halifax to make a payment that reflects the direct distress caused as a result of their actions, rather than the overall distress Mr R and Mrs R were experiencing as a result of their wider circumstances. I'm satisfied that £250, including the £150 already paid, is a reasonable amount.

My final decision

Considering everything, for the reasons I've explained, I uphold this complaint in part and instruct Bank of Scotland plc trading as Halifax to pay Mr R and Mrs R £100 in addition to what's already been paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R and Mrs R to accept or reject my decision before 30 January 2024.

Kathryn Billings
Ombudsman