

The complaint

Ms T is unhappy with her treatment by Bank of Scotland plc (BoS) when her fixed rate mortgage product was due to end. BoS initially refused a new two-year fixed rate because there was less than two years left on the mortgage term. It also refused to extend the term of the mortgage in order to allow a new rate. BoS later agreed to extend the term of the mortgage and to a new fixed rate, but Ms T is unhappy that she paid BoS's Standard Variable Rate (SVR) for a month before the new rate started, and she wants BoS to backdate the new rate.

What happened

In 2020, Ms T agreed to a fixed rate product on her interest-only mortgage with BoS. The product transfer offer dated October 2020 makes it clear that Ms T would pay a fixed interest rate of 2.09% until 31 January 2023, when the mortgage would revert to BoS's SVR, which was 4.55% at that time. The offer also confirmed the remaining term of the loan was four years and two months.

On 1 January 2023, BoS sent Ms T a letter confirming the fixed rate end date and what the new monthly payment would be, but Ms T says she didn't receive this until 18 January 2023 due to a postal strike. A couple of days earlier, on 16 January 2023, Ms T had contacted BoS to discuss her mortgage and she was told she couldn't have a new fixed rate because there was less than two years remaining on the mortgage term.

On 19 January 2023, Ms T asked to extend the term of the mortgage in order to allow for a new rate, but BoS said it wouldn't agree to this because it didn't think it was affordable.

Ms T complained to BoS. In summary, she said:

- It hadn't given her enough notice to explore her options and take out another fixed rate product. She said she didn't receive its reminder letter until 18 January 2023, and it should have contacted her earlier. She also said she'd been in touch with its End of Term (EOT) team several times to discuss her mortgage, but she wasn't made aware of the fixed rate end date.
- She was unhappy BoS had initially refused to extend the term of the mortgage and also with the level of service she received when it was considering her request.
- The new rate didn't start until 1 March 2023, and she wanted BoS to backdate this to 1 February 2023.

BoS issued a final response letter in February 2023. In summary, it said:

- It felt it had given her sufficient information to review her options. It said the product transfer offer had confirmed when the fixed rate would end and the annual statements dated November 2021 and 2022 confirmed the term remaining on the mortgage and included a reminder to check her rate and also the Early Repayment Charge (ERC) end dates, which it said coincided with the end of her fixed rate.
- Its EOT team wouldn't discuss Ms T's product end date unless she'd initiated that conversation. It also didn't think it was responsible for the delay in her receiving its letter dated January 2023.
- Ms T had been correctly told she couldn't extend the mortgage term. This was because she hadn't met its annual earned income requirement. However, it had agreed to a term extension to allow a new rate as a one-off exception to its policy.
- It didn't think it had acted incorrectly, so it wouldn't backdate the new rate to February 2023.
- It was going to pay her £40 because it didn't give her better service whilst it was considering her request.

Unhappy with BoS's final response letter, Ms T referred her complaint to this Service.

Our Investigator didn't uphold the complaint. In summary, he said he felt Ms T had been made aware of when both her mortgage term and fixed rate were due to end, and ultimately BoS isn't required to proactively inform customers of any new or better interest rates. He also felt BoS had acted fairly by allowing Ms T to extend the term of her mortgage and secure a new fixed rate product, and he didn't think BoS should backdate the new rate.

Ms T didn't accept the Investigator's findings. In summary she said BoS would have known there was a postal strike which would likely delay her receipt of its reminder letter, and it could have sent this by email. She says had she received the reminder on time, she would have been able to get a new rate.

As agreement couldn't be reached, the complaint has been passed to me for a 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.

I do appreciate Ms T's frustration at initially being told she was unable to secure a new fixed rate product. However, the shortest fixed rate product BoS offered was two years. This isn't uncommon; two years is the minimum duration of a fixed rate products for most lenders. It's ultimately up to lender to decide what products it offers, based on its own commercial judgement and risk appetite.

Here, Ms T's mortgage had been due to end on 31 December 2024, so I'm satisfied there was less than two years remaining on the term of her mortgage when she asked for a new rate on 16 January 2023. BoS simply didn't offer a fixed rate product that was suitable for Ms T at that time given the remaining term of the mortgage.

Ms T says she was given short notice about the impending expiry of her fixed rate. This is because she didn't receive BoS's reminder letter until 18 January 2023. However, I don't think the expiry of the fixed rate should have come as a surprise to Ms T. I say this because the duration of the fixed rate was clearly set out in the product transfer offer dated October 2020. Also, having reviewed the information given in the annual mortgage statements dated November 2021 and 2022, I consider that Ms T was in a position to know what rate she was paying and when this would end.

Also, even if BoS's letter dated January 2023 had arrived promptly, Ms T still wouldn't have been in a position to get a new rate at that time because there was less than two years remaining on the term of the mortgage. BoS has told us that it sends this letter to customers during the final month of a fixed term, and I'm satisfied from the evidence that it has provided that it did that.

For there to have been sufficient time remaining on the term of the mortgage for a new rate, this would need to have been agreed before the end of December 2022, but I haven't seen any evidence that indicates Ms T asked for a new rate earlier than 16 January 2023. It's also worth noting that Ms T would have needed to end her existing product early to allow for the new product to span a minimum of two years, possibly incurring an ERC.

There's also no requirement for a lender to proactively contact customers to let them know about new rates available.

I've gone on to consider how BoS handled Ms T's request to extend the term of the mortgage. BoS has explained that it initially declined Ms T's request because it was one of its criteria at that time that Ms T needed to have a minimum annual earned income and Ms T didn't meet this requirement.

Ms T complained to BoS's about its decision, and it went on to agree to a term extension to allow for a new rate and it let Ms T know on 30 January 2023. However, because a new rate wasn't agreed in time for it to start from 1 February 2023, Ms T's mortgage reverted to BoS' SVR for February 2023 - which was more expensive.

Ms T wants BoS to backdate the new rate to 1 February 2023, but I don't think that would be fair in the circumstances. It's unfortunate that a new rate wasn't agreed in time for it to start on 1 February 2023. But Ms T didn't ask for a term extension until 19 January 2023, and I'm not satisfied that BoS took an unreasonable amount of time assessing her request.

I've also noted that Ms T delayed accepting a new rate offered to her in early January 2023. BoS's contact notes detail her telling it:

"She was trying to get a gauge on the market to determine if she thinks it could be worth looking at a new rate come April."

So, I'm not persuaded that Ms T would have accepted a new rate in time for it to start on 1 February 2023 had she been able to do this.

I also understand Ms T was unhappy about the level of service that she received from BoS when it was considering her request. This included comments that were made to her about her buy to let property. Having considered this, I'm satisfied that the award of £40 that BoS paid to Ms T for not providing better service fairly reflects the distress and inconvenience caused.

I do appreciate that this isn't the outcome that Ms T was hoping for, and she will be disappointed with my decision. However, for the reasons that I've explained, I won't be requiring BoS to do anything further.

My final decision

For the reasons I've already explained, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms T to accept or reject my decision before 2 January 2024.

Michelle Griffiths
Ombudsman