

The complaint

Mr and Mrs W complain that TSB Bank plc mis-allocated payments between their mortgage accounts. Mr and Mrs W say it wrongly recorded arrears on their credit files, and this caused difficulty as they were looking to re-mortgage. They said they wanted to be in the position they should be in, had no errors been made.

What happened

Mr and Mrs W made their monthly mortgage payments over the counter at their TSB branch.

TSB made an error with Mr and Mrs W's payment in early 2023. While the payment was applied to their mortgage account the branch used an incorrect code which resulted in a late payment being reported to the credit reference agencies. TSB agreed it had made an error. It corrected Mr and Mrs W's mortgage account, removed the late payment from their credit files and offered compensation of £300. Our investigator said TSB had done enough to put matters right and Mr and Mrs W agreed.

TSB wrote to Mr and Mrs W again in May 2023. Their mortgage has several sub-accounts. TSB said some sub-accounts were up to date or overpaid while some parts were showing as underpaid. It said it had adjusted the sub-accounts and credited any interest incurred due to the delay in doing this. The letter said that as the overall position of Mr and Mrs W's mortgage was up to date, no late or missed payments had been reported to the credit reference agencies. Mr and Mrs W's contractual monthly payment (CMP) increased following the adjustment. Mr and Mrs W raised a further complaint.

In its response, TSB said the way Mr and Mrs W's payments had been allocated between sub-accounts since 2018 meant there were overpayments on some parts of their mortgage and arrears on other parts. It said the arrears weren't included in the balance when it calculated Mr and Mrs W's CMP, which meant they were underpaying the mortgage. TSB said the adjustments made in May 2023 weren't done correctly. It said it would correct the mortgage account. It offered £250 compensation and to refund any out-of-pocket expenses.

In late 2023 TSB said it had completed calculations and corrected the mortgage account. It said overall, Mr and Mrs W had paid about £1,800 less than they would have done if it had calculated their CMP correctly. This had resulted in about £200 additional interest being applied since 2018. TSB credited Mr and Mrs W's account with an amount equal to the underpayment and refunded the additional interest.

Our investigator said while TSB had made errors it had now corrected Mr and Mrs W's account and they hadn't been caused a financial loss. She said the compensation offered by TSB for the upset and inconvenience was fair.

Mr and Mrs W didn't agree, saying:

- there was a financial cost of their time spent dealing with this matter
- they made overpayments which should have been applied to the interest only part of

their mortgage and not the repayment part

- they had five years of higher monthly payments due to TSB's errors. They say the £1,800 credit seems too low.
- they couldn't check if payments had now been applied correctly TSB provided a spread sheet but this didn't have enough detail
- while TSB said they should tell their branch how payments should be allocated between sub-accounts, the branch said it wasn't able to do this. This left them having to correct errors each month and being chased by TSB for arrears.

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.

Mr and Mrs W were understandably upset when they were told there were problems with the way their payments had been applied to their mortgage account. I can understand that they want assurances that their account was corrected.

I must be clear about our role. We provide an informal dispute resolution service. We don't provide an auditing or forensic accounting service. I can't check whether TSB's mortgage calculations and the re-worked account are correct.

What I can do is consider whether TSB made an error and, if so, what it should do to put matters right.

TSB made errors. But, having considered the available evidence, I think it has done enough to put matters right.

I don't think, based on the available evidence, that Mr and Mrs W have a financial loss due to TSB's errors.

There's no evidence to suggest that Mr and Mrs W made payments that were not applied to their mortgage account. The problem was with how the payments were allocated between the sub-accounts.

TSB's error meant Mr and Mrs W's CMP was lower than it should have been. This meant they paid less than they should have and their mortgage was underfunded. TSB credited Mr and Mrs W's account with the amount by which it had been underfunded. It refunded the additional interest applied due to the underpayments.

Had TSB calculated the CMP correctly it would have been higher. Mr and Mrs W would have had to pay more over the last five years. So, in financial terms, Mr and Mrs W benefitted from the error.

Mr and Mrs W say they made overpayments which TSB should have allocated to their interest only sub-account, rather than the repayment sub-account. TSB says payments are allocated across the sub-accounts. If Mr and Mrs W made an overpayment that they wanted applied only to the interest only part of the mortgage they could have specified this when they made the payment. But in any case, Mr and Mrs W haven't explained how they believe this resulted in a financial loss.

While TSB made an error when it recorded a late payment in March 2023 it corrected this in

April 2023. I can't see how issues with the way payments were allocated between sub-accounts would affect a mortgage application to another lender. Mr and Mrs W haven't provided evidence that these issues caused a problem when they re-mortgaged.

Mr and Mrs W say they have a financial loss in that they spent time dealing with this matter. They haven't explained how this led to a financial loss. If they are requesting that TSB pays for their time, that isn't something I would usually consider to be reasonable. I would however consider it fair for TSB to pay compensation for the inconvenience involved.

TSB said it had re-worked and corrected Mr and Mrs W's mortgage before it was redeemed, so the correct balance was repaid. Based on the available evidence I don't think Mr and Mrs W have a financial loss due to TSB's errors. However, these errors did cause them upset and inconvenience and I think it's right that TSB offered compensation for this.

Mr and Mrs W say the compensation should reflect the five-year time period over which the problem occurred. I don't think that's necessarily fair and reasonable. What I need to consider is how the errors affected Mr and Mrs W.

While the problems with how payments were allocated between sub-accounts started in 2018, Mr and Mrs W weren't aware of this until mid-2023, when TSB wrote to them. TSB said soon after this that it would correct the mortgage account. It did this later in 2023 and the mortgage was repaid in early 2024. So any worry and inconvenience caused to Mr and Mrs W was over this shorter time period.

There's no suggestion that Mr and Mrs W were caused financial hardship due to TSB's errors (this seems unlikely as the error meant their CMP was lower than it ought to have been). While they might have struggled to fund the £1,800 underpayment, TSB credited this to their account.

TSB provided spread sheets showing payments allocated to each sub-account before and after the mortgage account was re-worked. I appreciate that this is not easy to follow. Mr and Mrs W asked for a ledger or spread sheet setting out how each monthly payment and overpayment was allocated between their six sub-accounts over the last five years. I don't think it's reasonable to require TSB to provide further spread sheets. I think it's unlikely this would provide more or clearer information to Mr and Mrs W than it has already provided.

As I said, there's no suggestion that Mr and Mrs W made payments which weren't applied to their mortgage account. If they are concerned about this, they can check their records of the payments they made against their mortgage statements.

Mr and Mrs W don't have confidence in TSB. While I can understand that, TSB took steps to correct their mortgage account. Mr and Mrs W have redeemed the mortgage, so they won't have further concerns about how they make payments or how the payments are allocated.

Taking all of this into account, I think the compensation offered by TSB (£300 in its final response issued in April 2023 and £250 in its final response issued in July 2023) is fair and reasonable.

My final decision

My decision is that TSB Bank plc should pay £550 to Mr and Mrs W, as it offered to do. It can deduct any amounts it has already paid.

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

Ruth Stevenson **Ombudsman**