

The complaint

Mr B complains that Bank of Scotland plc trading as Halifax incorrectly charged him a fee when he first took his mortgage. This has been refunded with interest, but he wants further compensation.

What happened

Mr B took a mortgage with Halifax with a joint party who is not named on this complaint in 2016. A fee of £495 was charged to the mortgage.

In 2016, Halifax realised it had made a mistake in charging fees to a number of mortgages when it shouldn't have. It wrote to Mr B telling him of its error and offering a refund of the fee plus 8% simple interest from the date it was charged to the date it was paid. Halifax offered Mr B 50% of the refund as the mortgage was taken out in joint names.

Mr B complained saying the interest added wasn't compensation and he felt he was due compensation. Halifax didn't agree so Mr B referred his complaint to our Service.

One of our Investigators looked into this complaint. He didn't think further compensation was warranted.

Mr B didn't agree. He said he didn't agree that refunding the fee was enough. He thought compensation should be paid for the error made by Halifax. And he said 8% interest was incorrect.

The complaint has now been passed to me to consider and make 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.

All parties agree that a mistake has been made here – Halifax has charged a fee that it shouldn't have. The first matter I need to consider is whether there has been a financial loss and whether this has been put right.

The fee shouldn't have been charged, and Halifax has now refunded 50% of this to Mr B. It's also added 8% simple interest from the date the fee was charged to the date the refund was made.

Mr B has said he doesn't think the 8% rate is correct, but he hasn't said why. 8% is the standard rate we'd expect a business to use when compensating a consumer for lack of the use of funds. As this is the rate Halifax has used, I think this is fair and reasonable. So, I'm not going to ask it to do anything further in this regard.

Mr B also considers he should be paid further compensation because a mistake has been made.

I've thought about this. But I don't agree. We don't award further compensation just because a mistake has been made. Our awards aren't designed to be punitive to a business either – we are not the industry regulator.

As our Investigator set out in his opinion, we can make an award for the distress and inconvenience that a mistake has caused. However, I don't think this is warranted in this case. Mr B wasn't aware of a mistake until Halifax wrote to him telling him of the mistake and offering a refund. And his mortgage was redeemed five years prior to this mistake being identified. Whilst I appreciate it can't be nice to hear a mistake has been made on your mortgage, I think any distress would be at most minimal. And I can't see that this matter has caused any inconvenience to Mr B. So, I'm not going to tell Halifax to pay further compensation.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 15 December 2023.

Rob Deadman
Ombudsman