DRN-4119528

The complaint

Mr C complains that he was misadvised by Skipton Building Society when he remortgaged. He took out a tracker mortgage, but said rates had now risen, and he thought he should have been advised to take out a fixed rate instead.

What happened

Mr C said following an appointment with Skipton's mortgage advisor, he took out a tracker mortgage. He said interest rates went up almost immediately, and had continued to rise since. Mr C said the increasing cost of his mortgage, plus the cost of living changes, meant he was experiencing financial hardship. He thought he should have been warned against this sort of mortgage by Skipton's advisor.

Mr C wanted Skipton to put him on the fixed interest rate mortgage it could have offered him at the time he had this mortgage interview.

Skipton didn't agree that it had misadvised Mr C. It said its mortgage advisor had asked Mr C questions about his property and his priorities. He'd explained he planned to do some sizeable home improvements, and once those were done, in about a year's time, he was thinking of selling the property.

Skipton said its advisor had made Mr C aware of its fixed rate products, and had explained that these offered security against future interest rate increases, but would mean Mr C would be tied into the product for a set amount of time. He would have to pay charges if he wanted to redeem the mortgage early.

Skipton didn't think it had done anything wrong, and it wouldn't backdate any changes to Mr C's mortgage for him.

Our investigator didn't think this complaint should be upheld. She said that she'd listened to the relevant call, and the mortgage advisor had explained the possible increases in monthly payments associated with the tracker rate. He also made Mr C aware of the fixed rate products available. She felt that that the advice given was suitable to Mr C's requirements at the time of the call, and that he had been presented with all the available options.

After the meeting, Skipton sent Mr C a suitability document which set out the way tracker rates are applied to a mortgage account. Mr C then accepted the offer.

Our investigator said Mr C felt Skipton's advisor should have made him aware that interest rates were set to increase, but our investigator said that interest rates change in line with market conditions, so Skipton can't provide accurate advice on this.

Our investigator said Mr C had accepted Skipton's offer, and it was legally binding. She didn't think Skipton had to make a previous fixed interest rate mortgage product available to Mr C now.

Mr C didn't agree. He didn't feel that he'd been given advice on the phone, he said that the mortgage advisor just agreed with him, and he said the industry as a whole was aware that interest rates were set to increase. Mr C wanted his complaint to be considered by an ombudsman, so this case was 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've reached the same overall conclusion on this complaint as our investigator.

I have listened to the call Mr C had with Skipton's mortgage advisor. Early in that discussion, the advisor asked a very open question about what Mr C wanted, and whether he was looking at any other changes to the mortgage. Mr C said then that he was looking to get rid of the property. He was looking to sell. He then set out more details of his plans for the property, he wanted to take on some home improvements that he felt would increase the value of the property. The advisor asked about a timescale for work, and Mr C said this would take 8 months to a year. Then the idea was to sell.

I can also hear that the advisor explained to Mr C how a fixed rate mortgage would work, that this would give him security, and allow him to budget, but he wouldn't benefit if rates did drop. And if he decided to sell during the fixed rate period, he would have to pay a percentage charge to Skipton to redeem the mortgage. They discussed a shorter fixed term, if Mr C felt he might want to sell fairly soon. But Mr C was quite focussed on getting the lowest rate he could secure at that time, and he opted for a tracker rate.

I don't think the advisor failed to explain to Mr C the drawbacks of the mortgage type he was opting for. It appears that Mr C thinks the advisor would have been confident that a number of mortgage interest rate rises were coming, and so should have warned him in advance, about the rate rises which have since occurred. But I don't agree. Like our investigator, I don't think Skipton can be certain about future interest rate rises, in the way Mr C has suggested. So I don't think it's the advisor's responsibility to tell Mr C what will happen to interest rates in future, nor do I think he's necessarily able to do that.

I also note that if Mr C had taken a fixed interest rate mortgage, then decided to sell during this fixed interest rate period, he would be faced with paying an Early Repayment Charge, usually based on a percentage of borrowing. So it's not at all clear to me that a fixed rate was a better choice for Mr C, at the time he made his decision.

I know that Mr C will be disappointed, but I don't think his complaint should be upheld.

My final decision

I don’t uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr C to accept or reject my decision before 25 August 2023.

Esther Absalom-Gough
Ombudsman