

## **The complaint**

Mr C and Mr I complain Bank of Scotland plc (BoS) refused to explain how it calculates its mortgage interest rate when they were deciding whether to make an overpayment. And they're unhappy with the service BoS provided.

Since Mr I's been dealing with BoS and the complaint, I'll mainly refer to him in my decision.

## **What happened**

In 2008 Mr C and Mr I took out an interest only buy to let mortgage with BoS of around £230,000 over a term of 25 years, which was secured over a property they own. They had an initial fixed interest rate deal until around January 2011 when the interest rate reverted to BoS's standard variable rate (SVR).

In 2022 they were deciding which of their mortgages to reduce by making a significant overpayment. To help them decide, Mr I asked BoS to provide information about the existing rate on their mortgage and how it was calculated.

In early October 2022 Mr I approached BoS through its mobile messaging service. He complained when the BoS customer service agent was unable to explain how the interest rate on the mortgage was worked out. BoS responded to the complaint later that month. But Mr I wasn't satisfied with its response and its failure to answer his follow up correspondence. So, he brought the complaint to the Financial Ombudsman Service.

Our investigator didn't think BoS had done anything wrong. He said, in summary, BoS didn't have to disclose how it worked out its interest rates since that was commercially sensitive information. And the service BoS had provided wasn't unreasonable.

Mr I disagreed. He said BoS should say how it works out the rate; it had never told him the information was commercially sensitive; BoS's responses were inadequate as it had failed to respond to correspondence in a timely way or at all; and to put things right BoS should pay compensation.

Since the complaint hasn't been resolved, it's been passed to me to decide.

## **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 I's strength of feeling about his and Mr C's complaint. But, for reasons that are similar to our investigator's, I don't uphold it, as I'll explain.

I appreciate the detailed information the parties have provided. I've considered everything carefully. But I won't set it all out here. No discourtesy is intended by that. It simply reflects the informal nature of the service we provide. I'll focus on what I consider key to reaching my decision.

I've noted Mr C and Mr I had access to information about the rate that applied to their mortgage from time to time, and what could lead to it changing, from the mortgage offer, its terms and conditions, annual statements and through on-line banking. But I appreciate Mr I wanted, not only confirmation of the rate, but also a more detailed explanation than he had already about how the SVR was worked out. He approached BoS through its mobile messaging service to get hold of that information in early October 2022.

BoS has explained that its mobile messaging service is intended to provide customers with a way of asking quick and simple questions about its products. From the exchange I've seen, the customer service agent told Mr I early on the rate the mortgage was on. They said Mr I's query would need to be referred to a specialist team. And they provided the team's phone number. I appreciate Mr I felt his question was a simple one the customer service agent ought to have answered. But it wasn't unreasonable for them to refer him on when they weren't able to provide the information Mr I was asking for. And the agent quickly made clear to him they couldn't.

Mr I said at the time he wasn't able to make calls. I'm not aware of why, or whether Mr C was in a similar position. But I can understand it was frustrating for Mr I to be told he'd need to ring another team. BoS says Mr I would probably have got a response sooner if he'd phoned as advised. But it's unlikely to have satisfied him since BoS says he would have got the same information it provided when it responded to the complaint. In any event, since Mr I had complained, it was reasonable for BoS to follow its complaints process, even though it took longer for them to give an answer.

BoS responded to Mr C and Mr I's complaint within the timescales set by Financial Conduct Authority rules. And it was within a month of Mr I contacting BoS initially through the mobile messaging service. The response set out that the mortgage was on the BoS SVR which didn't track the Bank of England base rate but could be changed to "*meet with increases in the cost of borrowing*".

Mr I's unhappy BoS didn't respond to his follow up emails saying it hadn't addressed his concern. BoS says it has no record of receiving them, although Mr I's provided copies of what he sent. But BoS had provided all the information it was prepared to disclose for reasons of commercial sensitivity. It's possible that if BoS had given Mr I that explanation, that part of the complaint could have been resolved sooner. I appreciate Mr I's frustration about that and the process he'd had to go through. But since the complaint involves concerns about service from the outset, the question about the interest rate calculation was still unanswered and Mr I didn't accept our investigator's view that BoS don't need to disclose that, I think he and Mr C would still have brought the complaint to us.

Looking at the overall service BoS provided, and the timescales involved, I don't think BoS treated Mr C and Mr I unfairly. It explained clearly it couldn't deal with their query through the mobile messaging service; it gave details of the team who could address it; it dealt with the complaint within the required time limits; it explained the rate was variable and could be changed to meet with increases in the cost of borrowing; and it explained how to complain to us. I think BoS acted reasonably in all the circumstances, and it wouldn't be fair to ask them to pay compensation.

In common with other mortgage lenders, BoS sets its interest rates based on complex calculations that take account of many different factors. This is commercially sensitive information that we don't generally expect lenders to disclose to their customers. So, I won't ask BoS to provide that information to Mr C and Mr I. More detailed information about the circumstances in which BoS may make rate changes are explained in the terms and conditions of the mortgage which Mr C and Mr I can refer to.

Even if BoS had explained its calculations, the SVR depends on many factors which are uncertain and can change. Knowing how the rate is worked out wouldn't necessarily have told Mr C and Mr I when or by how much their interest rate might change in the future. I don't think it would have helped them decide whether to make an overpayment to their BoS mortgage. So, it wouldn't be fair to ask BoS to compensate them for any loss they might have incurred by not acting sooner.

Bearing everything in mind, whilst I understand Mr C and Mr I will be disappointed, I don't uphold their complaint.

### **My final decision**

For the reasons I've explained, I don't uphold this complaint.

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

Julia Wilkinson  
**Ombudsman**