

## **The complaint**

Mr H complains that Clydesdale Bank Plc trading as Virgin Money offered him an incorrect fixed interest rate when he applied for a product switch on his existing mortgage. He says this caused him distress and upset as he had to take out a higher rate than he thought he'd be able to obtain.

## **What happened**

Mr H has a mortgage with Virgin Money on a property he purchased through the Shared Ownership scheme.

Mr H's initial fixed rate mortgage was coming to an end. So, on 29 June 2023, Mr H spoke with an independent mortgage broker, who applied on Mr H's behalf for a new fixed rate with Virgin Money. Mr H's broker submitted an application online and an illustration was produced showing that Mr H would be able to obtain a new fixed interest rate of 5.8% with Virgin Money.

However, on 7 July 2023, Virgin Money contacted Mr H's broker because it realised that the product the broker had applied for was not available for shared ownership properties. Mr H's broker called Virgin Money on 10 July 2023 and was told that the available fixed interest rate for a shared ownership property would be 6% and that it would send out a new offer with this rate. Mr H's broker told Mr H about this.

On 13 July 2023, Virgin Money emailed Mr H's broker to let him know it had made an error with the loan to value (LTV) calculation on Mr H's mortgage and asked him to get in touch to discuss it. Mr H's broker called Virgin Money on 14 July 2023 and was told that the LTV was miscalculated in the previous call, and the rate of 6% was not available to Mr H given the LTV on his mortgage. With the correct LTV taken into account, the available rate for Mr H's mortgage would be 6.35%.

The new offer with a rate of 6.35% was sent to Mr H on 18 July 2023, and he signed to accept this offer on 20 July 2023. The product transfer completed on 9 September 2023 and Mr H's mortgage moved to the fixed rate of 6.35%.

Mr H's broker complained, on behalf of Mr H, to Virgin Money. The broker thought Mr H should be entitled to the first interest rate Virgin Money had told him he could take. Virgin Money investigated the matter. It said that Mr H's broker had made a mistake in applying for a fixed rate that wasn't available to borrowers with a shared ownership mortgage. However, Virgin Money agreed it had made a mistake in the phone call of 10 July 2023, when it offered a rate for an LTV lower than Mr H's actual LTV. Virgin Money gave Mr H £50 in compensation for this mistake but did not think it should honour the incorrect rate set out in the original offer of 29 June 2023 or given over the phone on 10 July 2023.

Unhappy with Virgin Money's response, Mr H referred his complaint to our Service where one of our Investigators reviewed it. She felt Virgin Money's offer was fair and didn't recommend it do anything further. She said that Virgin Money did not have to honour the

rates offered in error. She said the first incorrect rate was likely generated by Mr H's broker not following the correct procedure when applying for new products on shared ownership mortgages.

Our Investigator agreed that the second error was Virgin Money's responsibility but as the rate given on the phone was not available for Mr H's LTV, and the error was corrected quickly (within three days), she thought that the £50 was adequate compensation. Overall, our Investigator was satisfied there was no financial loss.

Mr H disagreed with the Investigator's findings and asked that the complaint be referred to an ombudsman. He highlighted that the errors had caused him significant distress both mentally and financially as he is now having to pay a higher rate of interest than he thinks he should be. 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.

Having done so, I agree that Virgin Money has made a mistake here. But I am not going to increase the amount of compensation Virgin Money has already paid. I realise this will be disappointing for Mr H. But I'll explain why.

In this complaint, I can only consider the conduct and impact of any error by Virgin Money. Mr H hasn't referred a complaint about his broker to us. So, we haven't considered any impact actions by the broker may have had. Based on what I have, it seems likely to me that the incorrect rate produced on 29 June 2023, was caused by Mr H's broker submitting the new fixed rate application online rather than calling Virgin Money as set out in the Virgin Money guide for Intermediaries.

Virgin Money has explained that their online system does not automatically pick up that a mortgage is shared ownership when an application is submitted online, which is why they ask brokers to call them to submit such applications. If the application is submitted online for a shared ownership mortgage an incorrect product is likely to be able to be selected and an incorrect offer produced. Asking a broker to call in cases where it's not a standard mortgage isn't an unreasonable process. And as I've said, is clearly set out for brokers on the Virgin Money website.

I'm therefore satisfied that the initial incorrect rate was not caused by Virgin Money's error. So I'm not persuaded that Virgin Money should honour this rate or offer Mr H compensation for this issue. Put simply, this was never a rate Mr H was entitled to. If Mr H thinks this error by the broker has impacted him, he may raise a separate complaint. But, as I've explained, I can't consider that here.

It is accepted by all parties that Virgin Money made an error in the call on 10 July 2023 when it provided details of an interest rate for a lower LTV than was applicable to Mr H's mortgage. But this does not mean it should automatically be bound by its mistake and made to honour the incorrect rate quoted. Instead, I need to consider whether Mr H would have done anything differently had he been given the correct information about the rates available on 10 July 2023.

I've also considered if the delay between the call on 10 July 2023 and the correction on 13 July 2023 meant that Mr H is now paying a higher rate than he would have had he been given the correct rates on 10 July 2023.

Virgin Money confirmed that its rates did change on 11 July 2023, but the offer given to Mr H of 6.35% is the one that would have been available on 10 July 2023. So, I'm satisfied that Virgin Money backdated Mr H's offer to the rate that he would have been able to obtain had he been given correct information on 10 July 2023. Therefore, Mr H's mortgage is now on the rate he was correctly entitled to on 10 July 2023 had Virgin Money not made a mistake. I can't ask Virgin Money to honour a rate that Mr H was never entitled to, just because it led him to believe for a short while that he was.

When the correct rate was given to Mr H on 13 July 2023, he accepted it a couple of days later. If he had not been happy with the rate, he could have asked his broker to consider other options including other lenders, but it appears that he did not. So, I'm satisfied that had Mr H been given the correct rate of 6.35% on 10 July, it's likely he would have accepted it. I therefore think it's likely that Mr H wouldn't have done anything differently had his broker been given the correct information by Virgin Money in the first instance. And that Mr H has been put back in the position he would have been in had the error not occurred.

I appreciate that the incorrect information was confusing for Mr H and caused him to suffer a loss of expectation in believing his interest rate, and therefore payments, would be lower than they have ended up being. But the incorrect information provided by Virgin Money was corrected within three days. And its actions of allowing him the correct rate that was available at the time of the mistake means he hasn't lost out financially as a result of this. Having considered the submissions of Mr H, I think Virgin Money's offer of £50 is fair for the distress and inconvenience caused. So, I'm not going to tell it to increase this.

### **My final decision**

For the reasons set out above, the payment of £50 compensation by Clydesdale Bank Plc trading as Virgin Money (Virgin Money) is fair and reasonable in the circumstances. So, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 12 June 2024.

Rob Deadman  
**Ombudsman**