

The complaint

Mr and Mrs H complain that Clydesdale Bank Plc trading as Virgin Money has not agreed to reimburse them for an overpayment they think they've made.

What happened

Mr and Mrs H have a mortgage with Virgin Money. The mortgage had a fixed interest rate period until 1 September 2022, after which the applicable interest rate reverted to Virgin Money's standard variable rate (SVR). This meant that Mr and Mrs H's contractual monthly payment (CMP) in September 2022 increased to around £2,800.

Mr and Mrs H had already applied, via a broker, for a new fixed interest rate product on 22 August 2022. Their signed offer acceptance form was received by Virgin Money on 2 September 2022, and on 13 September 2022 Virgin Money completed the product switch.

From October 2022, Mr and Mrs H's CMP reduced to around £2,360 per month based on their new product's fixed interest rate.

Mr and Mrs H complained that they didn't receive a refund (or partial refund) of their September 2022 payment. They said they returned their offer acceptance form very early in the month and so they don't think it's fair to have been charged as though they were on Virgin Money's SVR for the whole month. Mr and Mrs H think it would be fairer for Virgin Money to apply their new product interest rate from the date everything needed was received by Virgin Money rather than the date it actioned the product switch, and to refund any overpayment this results in.

Virgin Money said that it had sent Mr and Mrs H a reminder in May, June and July 2022 confirming the product they had was coming to an end on 1 September 2022. And that it had been clear the cut-off date for receiving their signed offer acceptance form was 18 August 2022 in order for it to be in place by 1 September 2022. So, Virgin Money didn't agree to backdate the product switch. It also said it had taken the correct CMP in September 2022 so there had been no overpayment.

Rather, Virgin Money said it had applied the new product's interest rate from when the switch was completed on 13 September 2022 and credited Mr and Mrs H's mortgage account with the difference in interest (between its SVR and the new product's interest rate) for the remainder of September 2022 – which was around £430.

Mr and Mrs H have asked that Virgin Money refund at least this amount to them rather than credit it to their mortgage account. During the complaints process Virgin Money offered Mr and Mrs H £50 to apologise for the length of its call waiting times.

When Mr and Mrs H complained to our service, the investigator didn't uphold the complaint. They said Virgin Money had taken the correct payment in September 2022 and so they didn't think Mr and Mrs H were due a refund.

Mr and Mrs H say they were given conflicting information about when their application /

acceptance form was received. And that staff at Virgin Money didn't seem to understand what refund she was asking for which meant the calls were frustrating and that at times she felt the staff members became unprofessional.

The complaint was passed to me for a decision by an ombudsman. I asked for further information from both parties. Virgin Money provided a copy of the calls it had with Mrs H in relation to this complaint. It also explained that if it returned part of the CMP Mr and Mrs H paid in September 2022, this would put the mortgage account into arrears.

Mr and Mrs H reiterated their concerns (as above, which they think the investigator has misunderstood) and explained that they think the interest credited to their mortgage account demonstrates that they've been overcharged.

I issued my provisional decision on 16 June 2023, addressing the further points. Here I said that I didn't intend to uphold the complaint. I explained that I didn't think Mr and Mrs H had been overcharged or were due a partial refund. I addressed the customer service issues raised and explained that I thought Virgin Money's offer to pay them £50 was fair in the circumstances.

Neither party provided further comments in relation to my provisional decision and the deadline has now passed.

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'm not upholding this complaint, I'll explain why.

Did Virgin Money make an error regarding Mr and Mrs H's product switch?

Virgin Money has explained that in order to ensure that Mr and Mrs H's new product was in place for 1 September 2022, it would have needed to receive their signed offer acceptance form by 18 August 2022. Based on Virgin Money's letters to Mr and Mrs H in May, June, and July 2022, I'm satisfied that Virgin Money took reasonable steps to make Mr and Mrs H aware of this deadline. I think it was made clear their mortgage would move onto Virgin Money's SVR in September 2022 if they didn't switch their product in time.

Virgin Money has shown that it received Mr and Mrs H's signed offer acceptance of the new product on 2 September 2022, so it was correct for their mortgage to have moved onto Virgin Money's SVR on 1 September 2022. This means that the CMP Virgin Money collected in September 2022 was also correct at the time.

Mr and Mrs H initially said that they thought Virgin Money should apply their new product's interest rate from the date it had received everything it needed for the switch. Virgin Money received Mr and Mrs H's signed offer acceptance form on 2 September 2022, which was a Friday. It completed the product switch on 13 September 2022, around a week and a half later. I don't think this represents an unreasonable delay or that Virgin Money is required to implement a product switch on the day the documentation is received. It is to be expected that any mortgage provider would need some time to implement a product switch in line with its own procedures, and Mr and Mrs H were made aware of this when Virgin Money shared the deadline referenced above with them.

Are Mr and Mrs H entitled to a partial refund?

Virgin Money has explained that it applies the interest on its mortgages for the whole month on the first of each month. So here, on 1 September 2022 it based that month's interest on its SVR of 5.49%. When the product switch took place, it calculated the applicable interest for the remainder of September 2022 at Mr and Mrs H's new product interest rate 3.24% and credited the difference for those dates to their mortgage account. So, Mr and Mrs H haven't incurred any loss.

From October 2022 onwards, Mr and Mrs H's CMP was based on their new product and would have taken into account the existing balance.

Virgin Money has explained that if it were to pay Mr and Mrs H the interest credit that it made to their account it would need to reduce their balance by the same amount. And that this would leave their mortgage account in arrears.

Virgin Money has taken the correct payments based on the applicable CMP at the time. So, Mr and Mrs H aren't "*entitled*" to a refund as it wasn't an "*overpayment*". I've thought about whether it would be fair for Virgin Money to reimburse Mr and Mrs H in the circumstances, bearing in mind the current cost of living crisis they've referred to. However, as doing so would put their mortgage account in arrears, I don't think it would be reasonable for me to require Virgin Money to do so.

Mr and Mrs H's customer service concerns.

I understand Mr and Mrs H's concerns to be:

- They had to wait 50 minutes to speak to someone.
- They were given incorrect information about when Virgin Money received their documentation from their broker.
- The staff member who dealt with their complaint was unprofessional during their telephone call.

Mr and Mrs H don't appear to be disputing that the compensation they were offered (£50) in relation to Virgin Money's telephone waiting times, but for clarity I think this is adequate and in line with our published guidance on award bandings.

In the calls I've listened to, any reference to an incorrect date was quickly corrected. But I've also set out the dates in this decision to confirm how the events unfolded. Mr and Mrs H's signed offer acceptance form is dated 31 August 2022, but it was received by Virgin Money on 2 September 2022. Whilst this may have caused some confusion, I don't think it has affected whether Virgin Money has operated the product switch correctly.

In relation to the conversation Mrs H had with Virgin Money about her complaint, I understand she feels the staff member was "aggressive and rude" which was unprofessional. Having listened to this call, it's clear that both parties became frustrated as they didn't seem to agree with the points the other was making. And at times the staff member at Virgin Money did speak over Mrs H for which she apologised at the time.

Whilst this call could have been better, I don't think any compensation is warranted in the circumstances. This is because I don't think the staff member was aggressive or inappropriate to the extent that more than an apology is needed here, and the staff member did apologise at the time for how she had come across.

My final decision

My final decision is that Clydesdale Bank Plc trading as Virgin Money has made a fair offer to settle the complaint and that it should pay Mr and Mrs H £50 compensation if it hasn't done so already.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H and Mr H to accept or reject my decision before 4 September 2023.

Stephanie Mitchell
Ombudsman