DRN-4072347

The complaint

Miss M complains that a mistake on her mortgage account with Bank of Scotland plc trading as Halifax prevented her from taking a new interest rate on her mortgage.

What happened

Miss M took out her mortgage with Halifax in around 2012, moving to her current property in 2017. She was on a fixed rate which was due to end in late 2022.

In April 2022, conscious her rate was due to end, Miss M got in touch with Halifax. She was told that her rate ended at the end of November 2022, and that the earliest she would be able to book a new rate was the beginning of September – as Halifax told her it allowed customers to book new rates 90 days before their old one expired.

In August 2022 Miss M took some advice from mortgage brokers about moving her mortgage, but couldn't find a deal she was happy with. So in September she got in touch with Halifax to see what it had available.

Miss M wasn't able to log in to manage her mortgage online, so rang Halifax on 21 September. She had difficulty passing security because Halifax had her residential address recorded as different to the mortgage address. Miss M says she is in fact living at the mortgaged property, and thinks there may have been an error on Halifax's part around the time she moved house (porting her mortgage) in 2017.

Miss M says the Halifax adviser she spoke to told her that the only way this could be corrected was for Miss M to log into her online account and change her address. Miss M explained she was having difficulty accessing her online account. So the adviser told her she would need to go to a branch with two separate identity documents.

Miss M says this wasn't easy for her to do, because she doesn't live or work near a branch and couldn't easily attend one during working hours. As this was at a time when interest rates were increasing, she was concerned that any delay would result in her losing out on a better deal. So she complained.

Two days later, Miss M spoke to a Halifax complaints manager who corrected her address on its systems. She said that she had had three days of stress and uncertainty and didn't know if she'd be able to get a new interest rate. She said Halifax told her that her address had been changed in April 2022 – she said she hadn't changed it, so she was worried that someone had accessed her account without her authority. Halifax offered £150 compensation, and said it would ensure she was able to take an interest rate that was available on 21 September.

Miss M says she's not happy with that. She says she was put to considerable worry and stress and £150 doesn't reflect that. She says she's since checked her credit records, and her credit score was high up to April 2022 but has been dropping since then. She's concerned that Halifax might have been reporting wrong information about her. And she says that these problems meant she wouldn't have been able to move her mortgage to another lender, leaving her tied to Halifax.

Miss M says that on 21 September Halifax had rates available, but they were higher than she'd seen with other lenders in August and early September. Those rates are no longer available. Miss M says that to put things right Halifax should extend her previous rate of 2.47%, which expired in November 2022, for the next five years – or, alternatively, it should compensate her for the difference between the rate it had available and the 0.8 – 0.9% lower rates she says she could have got with other lenders.

Having reconsidered matters after Miss M complained to us, Halifax offered to increase the compensation to £300, and confirmed it would still allow Miss M to take an interest rate that was available on 21 September 2022, backdated to 1 December 2022 when her previous rate ended. It said those rates were 4.06% over two years, 4.02% over five years and 3.68% over ten years.

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.

The problems in this case stem from a change Halifax made when it amended Miss M's correspondence address, and the impact that had on her ability to pass security when she called Halifax on 21 September to arrange a new mortgage interest rate.

This had a particular impact in this case, because not only were interest rates rising generally in the second half of 2022, but there were particular increases following a change to Bank of England base rate on 22 September and the government's mini-budget on 23 September. The result was that available interest rates rose substantially immediately after Miss M's call on 21 September.

Halifax says Miss M's address was updated in April 2022. It's aware of a system issue where if an existing customer consults a mortgage broker about moving property, Halifax's correspondence address can sometimes wrongly update to the proposed new property. When Miss M first complained, Halifax told her it thought that might have been what caused the problem with Miss M's address on its systems.

But Miss M says that she hadn't spoken to a broker in April 2022. She did speak to one in August, but that was to look at mortgages at other lenders not Halifax, and she wasn't moving home. So this didn't explain how her address had been amended – and so she was very worried that someone seemed to have accessed her account and changed it without her knowledge or consent.

We asked Halifax to investigate this further. It explained that when Miss M contacted Halifax to ask about her rate in April 2022, a note had been made on its systems. Miss M actually had two customer profiles on the system (which covered all of the Lloyds Banking Group) – one with this mortgage and a product with another firm in the group, which had her current address. The other profile was linked to the old mortgage she'd paid off in 2017 and a bank account, and still had the old address on it. Following the contact in April 2022, the system merged the two profiles, taking the old address rather than the new one. This resulted in all Miss M's records now being linked to the old address, including the mortgage at the new address.

I'm sure it was very upsetting for Miss M, and very concerning, to discover that Halifax had changed the address associated with her mortgage without her knowledge or consent. But I don't think it quite had the consequences that she says it did.

Miss M says that her credit score dropped over this period – from 934 in April to 791 in May. She is worried that's connected to the issue with her address with Halifax and would have prevented her from moving her mortgage elsewhere. She says that as a result she was left trapped with Halifax – that it has, as she puts it, "monopolised her custom".

I haven't seen any evidence that Miss M's credit score dropped at this time, though I see no reason to doubt what she says.

But – for several reasons – I don't think that the Halifax address problem would have had any impact on the mortgage rate Miss M was able to obtain in any event.

Firstly, a "credit score" is a number calculated by each of the separate credit reference agencies separately. Each has their own methodology, and the same credit record can produce different scores from each agency. I don't know which agency Miss M uses, or how it calculates its notional "credit score". And I haven't seen Miss M's wider credit file. It's possible that *if* Halifax also reported the new correspondence address as a new associated address that may have had an impact on her score. But Halifax says her address recorded at the credit reference agencies didn't change at this time. And it's also possible her credit score changed for some other unrelated reason.

Secondly, a credit reference agency's "credit score" serves no practical purpose. When a lender checks a credit file it looks for things like payment history, total amount of outstanding credit, record of applications for other credit, time at address, and so on. A "credit score" is an estimate by the credit reference agency of how the underlying credit file might look to lenders. But it's not seen by or taken into account by the lenders themselves. Lenders produce their own assessments of a credit file when someone applies for new lending.

So even if Miss M's credit score – as produced by the credit reference agency – had dropped, that doesn't mean that a lender faced with an application from her would have treated that application any differently than it did before. It's likely a lender's own view of any application would only be treated differently if there was some change to Miss M's underlying creditworthiness, such as a missed payment or a substantial new amount of credit being taken out.

Thirdly, I don't think it's likely that Halifax's error would have had any impact on Miss M getting a mortgage elsewhere. An error in Halifax's internal systems with the correspondence address it held for Miss M would not be something any other lender was aware of or have been influenced by. If Halifax didn't just record the (incorrect) new correspondence address on its systems but also told the credit reference agencies that Miss M was associated with a new address that might well have been picked up on a new lender's credit check. But it's not something that would have led another lender to automatically reject an application, and if queried Miss M would have been able to show that she was in fact living at the mortgaged property and would have been able to get the error corrected by Halifax quickly.

In this case, the error was resolved within two days, and I see no reason why Halifax wouldn't also have corrected it quickly if Miss M had complained following an application to another lender rather than an application to Halifax. So while Miss M says she didn't apply elsewhere because she was worried the error would stop her re-mortgaging, I don't think that in fact it would have done.

Fourthly, Miss M told us that she did consider moving her mortgage elsewhere. She consulted two separate brokers in August, before getting back in touch with Halifax in September. So before she knew of the error, she'd already decided to remain with Halifax in any event – and it follows that it wasn't the error that forced her to stay.

I’m therefore satisfied that, as of 21 September, Miss M had considered shopping around and had either decided to stay with Halifax or had not yet decided to apply anywhere else. She says that one of the brokers she contacted hadn’t got back to her – but Halifax isn’t responsible for that. And I’m also satisfied that it’s unlikely the address issue would have prevented her applying to another lender had she decided to do so, either before or after 21 September. I don’t therefore agree that it’s fair to say that Halifax’s mistake trapped her with Halifax or allowed it to “monopolise her custom”.

Miss M says that she was disappointed with the rates available on 21 September and thought other lenders had more competitive rates. And they may well have done.

But even if Halifax had not made any error at all in this case, Miss M would still not have contacted Halifax until 21 September, and so wouldn’t have decided to go to another lender after all until after 21 September. As the Bank of England increased base rate on 22 September and the mini-budget happened on 23 September – both of which caused interest rates to rise across the market – the rates Miss M had seen with other lenders before 21 September wouldn’t have been available to her after 21 September in any event.

In summary, if the address issue had never happened, I think this is what would have happened instead. Miss M had looked around the market but hadn’t applied for anything with any other lender, so on 21 September she decided to see what Halifax had available. She would then either have accepted a Halifax rate – securing one on that day, just before they started increasing after the events of 22 and 23 September. Or, alternatively, she would have decided not to take what Halifax had available on 21 September and keep shopping around – and what would have been available to her then, either from Halifax or elsewhere, would have been much higher because of what happened in the wider economy over the next few days.

If nothing had gone wrong, the only options Miss M would have had as at her call to Halifax on 21 September were:

- Take one of the rates Halifax had available on that day; or
- Decide not to take one of those rates and keep shopping around, leading to either
    - Go elsewhere – and as an application to another lender would have been made after 21 September, take a rate higher than Halifax had available on 21 September; or
    - Come back to Halifax at a later stage having found no better rates available elsewhere and take a Halifax rate, which would have been higher than the rates available on 21 September.

Given events in the wider economy at the time, I’m satisfied that because she hadn’t booked a rate with any other lender before 21 September, there are no circumstances in which Miss M would have ended up with a rate lower than those Halifax had available on that day.

I’m therefore satisfied that Halifax’s offer to put Miss M back in that position – to honour the rates available on 21 September 2022 – is a fair and reasonable resolution to this complaint. It ensures she receives the best possible outcome of those that would have been available to her on that day had the address issue not happened.

I don’t agree it would be fair to require Halifax to extend Miss M’s previous rate, which expired in November 2022, for a further five years. That rate has ended. An extension on the same terms would never have been available to Miss M even had nothing gone wrong. That rate wasn't available, and it wouldn't be fair to resolve the complaint by putting Miss M back in a better position than she could have expected at the time. And for the same reasons, it wouldn't be fair to require Halifax to refund the difference between the 21 September rates and the rates Miss M says she'd seen with other lenders in August. Miss M didn't apply for those rates at the time. Had she done so, I'm not persuaded Halifax's mistake would have stopped such an application being successful. It wouldn't be fair to require Halifax to compensate Miss M for having lost out on a rate she chose not to apply for.

I understand Halifax has now implemented a 21 September rate with effect from 1 December when Miss M's old rate expired, and has refunded the additional interest Miss M paid before the rate was retrospectively implemented. I think that's fair and reasonable in all the circumstances.

Finally, I turn to whether Halifax's offer of compensation is fair. I don't doubt that this was an upsetting experience for Miss M. I'm sure both the mortgage problem, and the concerns she had about the security and integrity of her mortgage account, caused her real worry. She's told us something of the impact on her health and her wider family, and I'm sorry to hear of that. But there's no evidence of a wider security breach or any wider data protection impact, and Halifax resolved the substantive problem within two days. I'm satisfied its offer of £150 compensation for the initial upset, and a further £150 for not immediately being clear it would stand by the offer to honour the 21 September rates, is a fair offer in all the circumstances.

My final decision

For the reasons I've given, my final decision is that I'm satisfied Bank of Scotland plc trading as Halifax has made a fair and reasonable offer to put things right. If Miss M accepts this decision it should pay her £300 compensation – to include any amounts already paid – in addition to the interest rate it has already applied and backdated to 1 December 2022.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 14 November 2023.

Simon Pugh
Ombudsman