

The complaint

Mr B's complaint is about a mortgage he holds with The Royal Bank of Scotland Plc (RBS). The mortgage, which started in 2000, is made up of four sub-accounts, one of which is interest-only (something Mr B disputes).

This is one of two complaints Mr B currently has with us. One is about legal action RBS is taking to evict Mr B from his mortgaged property; RBS' action is presently on hold whilst we look into that complaint. The other complaint, the one I'm dealing with here, originally comprised two broad elements; these are, in summary:

- the interest-only part of the mortgage was mis-sold to Mr B at the outset; and
- he received an annual statement in 2022 saying all four sub accounts are capital repayment, which he believes proves he never took out the interest-only part.
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What happened

The broad circumstances of this complaint are known to Mr B and RBS; they've been set out in correspondence between both parties. I'm also aware that the investigator issued a detailed response to the complaint which has been shared with all parties, and so I don't need to repeat all of the details here.

Instead, I'll provide a brief summary of the key points, in my own words and then focus on the reasons for my decision. If I don't mention something, it won't be because I've ignored it. It'll be because I didn't think it was material to the outcome of the complaint.

Mr B has held the mortgage since 2000. When it started, there were two components to the mortgage; one was capital repayment, the other was interest-only. Two further advances were taken out subsequently, both on a capital repayment basis. In 2015, RBS responded to a complaint Mr B had made about the endowment policy that had originally been envisaged as the repayment vehicle for the interest-only part of the mortgage, but which had in fact been surrendered by Mr B in 2007.

RBS has sent Mr B annual statements for the mortgage. These routinely set out the four components of the mortgage, identifying three of them as capital repayment and one as interest-only. However, in 2022, RBS issued an annual statement that labelled all four parts of the mortgage as capital repayment. This prompted Mr B to raise the current complaint, arguing that that this statement was proof he had been right all along that all parts of the mortgage should have been capital repayment.

RBS responded to the complaint in September 2022; it referred Mr B back to complaints he'd made in the past about how the mortgage was made up, some of which had been referred here. As far as the 2022 annual statement was concerned, it said this was a typing error, apologised and sent Mr B a gift voucher.

Mr B didn't accept RBS's response and raised his complaint with our service.

Our investigator was of the view that the alleged mis-selling aspect of the complaint was time-barred under our rules. On the part of the complaint that we were able to consider, the investigator was of the view that the apology and gift voucher was a reasonable remedy of the mistake over the 2022 statement.

Mr B asked for the complaint to be reviewed by an ombudsman. By way of a jurisdiction decision dated 26 September 2023, I confirmed that our remit was confined to dealing with the complaint about the 2022 statement. I now deal with that on its merits.

What I've decided – and why

I'll start with some general observations. We're not the regulator of financial businesses, and we don't "police" their internal processes or how they operate generally. That's the job of the Financial Conduct Authority (FCA). We deal with individual disputes between businesses and their customers. In doing that, we don't replicate the work of the courts.

We're impartial, and we don't take either side's instructions on how we investigate a complaint. We conduct our investigations and reach our conclusions without interference from anyone else. But in doing so, we have to work within the rules of the ombudsman service, and the remit those rules give us.

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

All of the available evidence points to the labelling of all four components of Mr B's mortgage in the 2022 statement as capital repayment as being a mistake. This was one single document in contrast to the many and various items Mr B has received over the years which consistently, and in my view correctly, informed him that part of the mortgage was always interest-only.

The mistake shouldn't have happened, clearly, and it's regrettable that it did. But once the mistake was drawn to RBS' attention, it did what I'd reasonable expect it to, which was to admit the error and apologise for it. In addition, RBS also sent Mr B a gift voucher. If RBS had not responded in the way it did, I would not be ordering it to do more.

I'll make one final observation, albeit only for completeness. RBS has said the mortgage term expired in 2018, and that's when the interest-only balance was due to have been repaid. That might be the backdrop to the recovery action RBS is taking that is the subject of the separate complaint we're also looking into. But I make the point for context only; it's not something I'm addressing here. That said, it rather reinforces the conclusion that the 2022 statement was a simple administrative error, given that the capital balance outstanding on the mortgage had already, in fact, been repayable for several years.

My final decision

My final decision is that I don't uphold this complaint or make any order or award against The Royal Bank of Scotland Plc.

My final decision concludes this service's consideration of this complaint, which means I'll not be engaging in any further consideration or discussion of the merits of it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 30 October 2023.

Jeff Parrington
Ombudsman

