

The complaint

Ms M's complaint is about a mortgage she has with Kensington Mortgage Company Limited (which I will refer to as KMC). Ms M says that the mortgage was mis-sold, and that KMC has failed to offer her a better rate of interest than the rate her mortgage has been operating on.

What happened

I do not need to set out the full background to the complaint. This is because the history of the matter is set out in the correspondence between the parties and our service, so there is no need for me to repeat the details here. In addition, our decisions are published, so it's important I don't include any information that might lead to Ms M being identified. So for these reasons, I will instead concentrate on giving the reasons for my decision. If I don't mention something, it won't be because I've ignored it; rather, it'll be because I didn't think it was material to the outcome of the complaint.

The investigator explained that Ms M's mortgage – originally taken out with a different lender and later transferred to KMC – was sold by a broker, which is no longer trading. Therefore any claim of mis-sale would need to be referred to the Financial Services Compensation Scheme (FSCS).

The investigator initially thought the complaint should be upheld, but after receiving further information from KMC, he noted that the mortgage was on the lowest interest rate available for Ms M, based on the loan-to-value ratio (LTV). He noted that even if the LTV was lower, there was no lower interest rate that Ms M could be on. He therefore didn't uphold the complaint.

Ms M asked for an ombudsman to review the complaint.

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 mortgage wasn't sold by Kensington, and as the broker is no longer trading, any complaint Ms M has that the mortgage was mis-sold would need to be referred to the FSCS. I understand Ms M already has contact details for the FSCS, but we can provide them to her again if she would like us to.

In relation to the mortgage interest rate, I've reviewed the evidence, from which I'm satisfied that there is no better interest rate available to Ms M, based on her LTV of 87% (which is over KMC's maximum allowable LTV). Even the rates for a LTV of 70% are higher than the rate Ms M is currently on. There would therefore be no benefit in KMC offering Ms M a new rate (even if the LTV was to fall to 85% or lower). A new product would come with an early repayment charge (ERC) and would tie Ms M into the product for a fixed term.

I appreciate that Ms M's mortgage is on a variable rate of interest, and that recent interest rate rises in the financial markets have led to her mortgage interest rate increasing. However, given that any rate Kensington could offer would be higher than the rate currently applied to her mortgage, even if the LTV fell to 85% or below, I'm not persuaded Ms M has suffered any detriment.

Ms M has argued that she is a "*mortgage prisoner*". The FCA defines mortgage prisoners as borrowers who have mortgages in closed books with inactive firms and has identified 195,000 mortgage accounts where the borrowers could potentially benefit by moving to an active lender. Ms M is not in this category, because KMC is an active lender.

There is no ERC on Ms M's mortgage, so she is free to apply for a new mortgage to any other lender, should she wish to do so. A new lender would carry out a valuation of the property (usually a physical inspection, but potentially a valuation based on the House Price Index), which could result in the LTV being lower than the indexed LTV of 87% applied by KMC. If Ms M wants to re-mortgage to a new lender, I would suggest she speaks to a mortgage broker, who will be able to advise her of her available options.

But in relation to her existing mortgage, I'm unable to find that KMC has done anything wrong, or treated Ms M unfairly.

My final decision

My final decision is that I don't uphold this complaint.

This final decision concludes the Financial Ombudsman Service's review of this complaint. This means that we are unable to consider the complaint any further, nor enter into any correspondence about the merits of it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M to accept or reject my decision before 8 November 2023.

Jan O'Leary
Ombudsman