

The complaint

Mr and Mrs M complain that their mortgage with Mortgages plc was mis-sold because it's on an interest-only basis and they have no means of repaying it at the end of the term. They also complain that Mortgages plc has failed to support them when they've asked for help with their rising mortgage payments and that it hasn't offered them a lower fixed interest rate.

What happened

Mr and Mrs M took out this mortgage in 2006, on the recommendation of a broker. They borrowed just under £160,000 over a term of 25 years, on an interest-only basis. The interest rate was fixed at 6.2% for the first two years; it then changed to a variable rate of Bank of England base rate plus 3% for the remainder of the term.

In January 2020, Mr and Mrs M complained to Mortgages plc about the sale of the mortgage. They said they weren't offered any options other than interest-only when they took the mortgage out in 2006, and this wasn't right for them because they have no way to pay the mortgage back at the end of the term.

Mortgages plc sent Mr and Mrs M a final response letter in January 2020. It said it hadn't given them advice about the suitability of the mortgage, and referred the complaint to the broker who had advised them.

In April 2020, Mr and Mrs M referred the complaint about the mortgage sale to the Financial Ombudsman Service. They told us that they wanted to complain about both the lender and the broker. Our Investigator dealt with the complaint against the broker rather than the lender, since Mr and Mrs M were complaining about the advice they had received to take the mortgage. The Investigator concluded that Mr and Mrs M had complained too late and so we couldn't investigate, because the mortgage was sold in 2006 but they hadn't complained until 2020.

In February 2023, Mr and Mrs M complained again to Mortgages plc. They said they were struggling with their mortgage payments since the interest rate on the mortgage had risen, and asked for the interest rate to be reduced. They were unhappy that Mortgages plc always told them there were no new interest rate products available, their monthly payments kept going up and Mortgages plc wouldn't reduce the payments when they ask. They said they shouldn't be in this position with an interest-only mortgage which they can't repay at term end in 2031, Mortgages plc should never have agreed the mortgage on an interest-only basis, and they should be compensated.

Mortgages plc sent Mr and Mrs M its final response in March 2023. It said it's a closed book lender and so doesn't offer any new interest rate products to customers, and the interest rate on Mr and Mrs M's mortgage had tracked Bank of England base rate (BOEBR) plus a margin as agreed. It said it hadn't done anything wrong, and it could look at what support it could provide if Mr and Mrs M contacted its Collections department.

In June 2023, Mr and Mrs M referred their complaint to us. They were very worried and unhappy about their rising mortgage payments and the ultimate repayment of the mortgage,

and said this was having a significant impact on their health and wellbeing. They also still wanted to complain about having been sold an interest-only mortgage.

Our Investigator said we couldn't look into Mr and Mrs M's complaint about the sale of the mortgage for various reasons, including because they had left it too late to complain and because they had referred a complaint to us about the sale before. The Investigator said we could look into the complaint about Mortgages plc's responses to Mr and Mrs M's requests for a new interest rate product and support with their payments. She didn't think that part of the complaint should succeed.

Mr and Mrs M didn't accept that and asked for a review. They wanted the mis-sale of the mortgage to be revisited. They also made a fresh complaint to Mortgages plc about the way it had treated them more recently. Mortgages plc sent them its final response about that in October 2023, and we are now dealing with it as a separate complaint.

The complaint Mr and Mrs M made in February 2023 was referred to me, and I issued a decision setting out the scope of the Financial Ombudsman Service's power to consider it. I said that Mr and Mrs M had complained too late about the sale of the mortgage, under the six- and three-year time limits I must apply, and this meant that I can't consider their complaint about the sale.

I said that I can, however, consider Mr and Mrs M's complaint about how Mortgages plc treated them between February 2017 and February 2023.

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.

First of all, I note that Mr and Mrs M have complained about Mortgages plc's treatment of them since February 2023, after they discussed concessionary payment arrangements with it and their direct debit was cancelled. That complaint is being dealt with separately. The complaint I'm deciding here is about how Mortgages plc has treated Mr and Mrs M between February 2017 and February 2023, and in particular Mortgages plc's responses to Mr and Mrs M's requests for a lower interest rate and help with their monthly mortgage payments.

Since the initial fixed interest rate ended in 2008, the rate on Mr and Mrs M's mortgage has been a variable rate of BOEBR plus 3% – as set out in the mortgage agreement. This has meant that, as BOEBR has risen over the last two years, so have Mr and Mrs M's monthly mortgage payments. They have seen their payments more than double, from just over £400 a month to more than £1,000.

Mr and Mrs M have found the payments difficult to maintain, so they have asked Mortgages plc for help, including for payment holidays, lower payments, and a lower interest rate. They complain that their lender has failed to help them, and has always just said that it has nothing available.

Mortgages plc has said to Mr and Mrs M that it is a 'closed book' lender, which means that it doesn't offer any new mortgage interest rate products. It has however told them that they may be able to get a better deal with another lender, and directed them to sources of free and independent advice.

I don't think that Mortgages plc did anything wrong in not offering Mr and Mrs M a new interest rate. There was nothing to say that it had to do so, either in the mortgage offer and

terms and conditions, or in law or the rules of mortgage regulation. While many mortgage lenders do offer new rates, not all do.

Mortgages plc didn't have new rates available to any other existing customers either, so in not offering Mr and Mrs M a rate it treated them the same as its other customers. No early repayment charges applied to the mortgage after the fixed rate ended in 2008, so Mortgages plc didn't stop Mr and Mrs M from applying for better rates with other lenders.

I also don't think I can fairly conclude that Mortgages plc failed to offer Mr and Mrs M appropriate support during the period of time I can consider. Mr and Mrs M were up-to-date with their payments and their mortgage was already on an interest-only payment basis when they asked Mortgages plc for help.

Mortgages plc told them it could look into concessionary payment arrangements in the first instance, but the resulting shortfall in their payments would need to be made up later. It also told them it would want to understand their financial situation first, and explained how reduced payments could affect their credit files. I don't consider any of this unreasonable, and it's in line with what I'd expect a lender to do in these sorts of circumstances.

I recognise that Mr and Mrs M have had a very difficult time over the years and have been finding the increased mortgage payments hard to maintain. I encourage them to keep in touch with Mortgages plc about their situation so that it can consider what options might be available to help them. That doesn't mean, though, that it must offer them a lower fixed interest rate simply because that's what Mr and Mrs M would prefer. There are a range of options and what is appropriate will depend on Mr and Mrs M's particular circumstances.

I can also see that Mr and Mrs M are very worried about what will happen when their mortgage reaches the end of its term, if they're unable to repay it in full. They have said they've been upset by what they consider to be threatening letters from Mortgages plc, reminding them about term end and alternative options they could think about.

While Mr and Mrs M find it upsetting to be reminded of the need to repay the mortgage at the end of the term, it's good practice and in line with regulatory guidance for their lender to send reminders and set out options. The sooner a borrower is able to make plans for repayment of a mortgage, the better. I don't find that Mortgages plc has done anything wrong in writing to Mr and Mrs M about the end of their mortgage term.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M and Mr M to accept or reject my decision before 15 January 2024.

Janet Millington
Ombudsman