

The complaint

Mr and Mrs B complain about their mortgage with Landmark Mortgages Limited. They complain that the mortgage interest rate has varied unfairly, it has been too high, and no new interest rate products have been available, and that fees and charges have been applied unfairly.

What happened

Mr and Mrs B took out their mortgage in 2006, with Northern Rock. They borrowed just under £170,000 on an interest-only basis over a term of 25 years.

The mortgage was on a fixed interest rate of 5.09% until August 2009. After that, the interest rate reverted to Northern Rock's standard variable rate (SVR) for 4 years and 4 months, followed by Northern Rock's variable loyalty discount rate, which was the SVR with a discount of at least 0.25%, for the rest of the term. The discounted SVR would apply provided that payments were maintained.

In 2020, Mr and Mrs B complained to Landmark about the interest rate they had been paying. Landmark sent them its final response on 14 June 2020. It didn't uphold the complaint, and told Mr and Mrs B they could refer the complaint to the Financial Ombudsman Service, but they had to do so within six months.

In February 2021, Mr and Mrs B referred this complaint to us. Our Investigator said they had done so too late, because they hadn't met the six-month deadline. Mr and Mrs B accepted that, and in 2022 they made a fresh complaint to Landmark, again about the mortgage interest rate, and also about fees and charges.

Landmark sent Mr and Mrs B its final response on 26 May 2022. It said it had answered their concerns about the interest rate in 2020 and wouldn't review that again, and it didn't uphold their complaint about other charges applied when they were struggling financially. In June 2022, Mr and Mrs B asked us to look into the complaint.

Our Investigator found that time limits apply to Mr and Mrs B's complaint. He said we can only consider the fees and charges applied to the mortgage in the six years before Mr and Mrs B complained in April 2022, and the interest rate since Landmark issued its first final response in June 2020.

In September 2023, I issued a decision confirming which parts of this complaint the Financial Ombudsman Service can look into. I found that we can only consider Mr and Mrs B's complaint about the interest rate applied to their mortgage after 14 June 2020, which is when Landmark issued its first final response – although I said we would need to take account of earlier rate changes in order to do that.

I also found that we could consider other fees and charges applied to the mortgage since 12 April 2016, six years before Mr and Mrs B complained about those in 2022.

The Investigator has already set out his conclusions about the parts of the complaint we can consider, and didn't recommend that they be upheld. Mr and Mrs B didn't accept that, and still feel they have been treated very unfairly.

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.

Mr and Mrs B's mortgage reverted to Northern Rock's SVR in August 2009, and later onto the discounted SVR, as set out in the mortgage terms. Nothing in the mortgage offer or the terms and conditions – or in mortgage regulation – says that Northern Rock, or its successors, had to offer Mr and Mrs B a new fixed rate once their old one finished.

As a result of Northern Rock's collapse and subsequent nationalisation, NRAM was a closed book lender unable to offer new interest rates to any of its customers. So, all its other customers were in the same position as Mr and Mrs B – and Mr and Mrs B weren't treated any less fairly than any other customer. After the mortgage moved to Landmark, it continued on the discount rate. Landmark doesn't offer new rates to any customers either, and again there's no obligation on it to do so.

The mortgage conditions say the SVR can go up or down and set out the reasons for which it could be varied. Those reasons are set out in broad terms, and I've looked carefully at the SVR and discount SVR applied to Mr and Mrs B's mortgage – including historic changes, since the rate applied after 14 June 2020 isn't the result only of decisions Landmark made after that, but also the result of earlier decisions. In doing so, I've considered the information Landmark and its predecessors have provided to us about the reasons the SVR varied and the mortgage conditions, alongside external reference rates such as Bank of England base rate, and wider economic conditions. I've also kept in mind relevant law, including the Unfair Terms in Consumer Contracts Regulations 1999.

Having done so, I don't consider that the interest rate applied to Mr and Mrs B's mortgage has varied unfairly. There's nothing in the mortgage offer or conditions to say that the SVR had to track the Bank of England base rate, or that entitled Mr and Mrs B to a new interest rate product after their initial fixed rate ended. Between the fixed interest rate ending in 2009, and May 2022, when Mr and Mrs B made this complaint, the interest rate on their mortgage varied between 4.14% and 4.89%; its highest point of 4.89% was in May 2022 following increases in the Bank of England base rate, and it has risen further since – as have other lenders' SVRs.

While Landmark's and its predecessors' SVR (less, in this case, the discount) was higher than the introductory rates offered by other lenders, it was comparable to the SVRs and reversionary rates offered by other lenders. Landmark and its predecessors have also provided information about their reasons for varying the SVR in the way that they did, which include the impact of the financial crisis in 2007-2008, as well as their costs and obligations.

Overall, I don't consider that Landmark or its predecessors treated Mr and Mrs B unfairly in the way they set and varied the interest rate on their mortgage.

I have also kept in mind that while Mr and Mrs B's mortgage was subject to the SVR, there were no early repayment charges, for example – so they could have re-mortgaged elsewhere without having to pay an early repayment charge. I understand why Mr and Mrs B have said their circumstances meant this wasn't possible, but it isn't a basis on which I can fairly conclude that Landmark or its predecessors should have applied a different interest rate.

Mr and Mrs B have also complained about the other fees and charges that have been applied to their mortgage over the years. As I have already explained, I can only consider those applied after 12 April 2016.

The only fees or charges other than interest that have been added to the mortgage since 12 April 2016 are four fees for unpaid direct debits, each of £6.50, in April and July 2018 and January and September 2019. I'm satisfied that Landmark was entitled to apply these fees – direct debit payments were returned unpaid at those times and the level of the fees is in line with Landmark's tariff, to reflect the administrative costs involved. I don't consider the level of the fees excessive, or that they should fairly be refunded in the circumstances. Mr and Mrs B have managed to maintain the mortgage payments, so no other fees, such as for mortgage arrears, have been applied to the mortgage in the period I can look at in this complaint.

I've considered everything Mr and Mrs B have told us about their situation and the difficulties they're facing now that their mortgage interest rate has risen further, and I realise my decision will be very disappointing for them. Landmark has offered to discuss their circumstances with them, to see what forbearance options it might be able to offer to support them – and I encourage Mr and Mrs B to do that. But I don't find that Landmark or its predecessors have treated them unfairly, and so I don't uphold this complaint.

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 Mr B and Mrs B to accept or reject my decision before 1 November 2023.

Janet Millington
Ombudsman