

The complaint

Mr and Mrs C have complained that Bank of Scotland plc trading as Halifax has treated them unfairly by refusing to consider their request for a term extension on their interest-only mortgage until an Income & Expenditure form (I&E) was completed. Mr and Mrs C are also unhappy that Halifax considered their proposed repayment vehicle for the mortgage to be unsuitable.

To settle the complaint Mr and Mrs C want Halifax to extend the term of their mortgage and offer them a new fixed interest rate product.

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 Mr and Mrs C 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.

Our investigator didn't think Halifax had acted unfairly. He noted that Mr and Mrs C had declined to complete the I&E (which they didn't think was necessary). However, as Mr and Mrs C had wanted to make material changes to the mortgage, the investigator thought it was reasonable for Halifax to ask for this.

Because the application hadn't proceeded, the bank hadn't considered the suitability of the repayment vehicle. However, having noted the bank's confidential criteria about suitable repayment vehicles, the investigator explained that he didn't think the proposed repayment vehicle would have met Halifax's criteria in any event.

Mr and Mrs C didn't accept the investigator's findings and 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.

Mr and Mrs C say that, for previous interest rate product switches, they had never needed to provide an I&E. However, those were simply rate switches with no other changes to the mortgage. Because Mr and Mrs C's mortgage had less time left on the term than the shortest fixed-rate product offered by Halifax, the only way they could get a new interest rate product would be by extending the term.

A term extension is a change to the original mortgage, and thus allows Halifax to consider affordability. This is provided for in the regulations, which state that, where there is a material

change to the mortgage, Halifax is entitled to assess the application against its lending criteria. This includes consideration of both affordability (by looking at the I&E) and whether or not the proposed repayment vehicle is suitable.

I'm satisfied, therefore, that it was reasonable for Halifax to request the I&E. Because Mr and Mrs C declined to complete this, the application didn't proceed. That was their choice, and so I'm unable to find that Halifax treated them unfairly. Halifax is under a regulatory obligation to ensure any lending is affordable, and so if Halifax is being asked to extend the mortgage beyond its original end date, affordability is relevant and something the bank needs to take into account.

No I&E was completed and so Halifax wasn't able to progress the application to the point where it needed to consider whether or not the proposed repayment vehicle for the interest-only mortgage was suitable. However, I've looked at the information Halifax has provided to us about this. As it is commercially sensitive, I am entitled to treat it as confidential. I'm satisfied that, even if Mr and Mrs C had completed the I&E and passed the affordability assessment, the application for a term extension would probably not have met Halifax's criteria in relation to the proposed repayment vehicle in any event.

Overall, I'm unable to find Halifax has done anything wrong.

I know this isn't the outcome Mr and Mrs C were hoping for. There is nothing to prevent them from making an application to Halifax for a term extension, if they are prepared to complete the I&E and if they have a suitable repayment vehicle. Alternatively, Mr and Mrs C are free to re-mortgage to a new lender, and to that end they might find it helpful to speak to an independent financial adviser. They can find details of IFAs in their area from the Financial Conduct Authority website at www.fca.org.uk.

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 Mr C and Mrs C to accept or reject my decision before 31 October 2023.

Jan O'Leary

Ombudsman