

The complaint

This complaint's about an interest-only mortgage that Mr H and Mrs H took out in 2004 with The Royal Bank of Scotland Plc (RBS). The mortgage was for fifteen years, so expired in 2019. A two-year extension was granted at that time, and then another one-year extension granted in 2021. When the mortgage fell due for repayment in 2022, Mr H and Mrs H asked for another extension, as they were still renovating the mortgaged property before putting it up for sale. This time, RBS said no.

The mortgage has now expired, and the debt remains overdue for repayment. Mr H and Mrs H complain that this is unfair; they're also unhappy with RBS' communication with them. They find automated messages about the overdue debt to be harassing, and say they face difficulties when they try contacting the bank.

RBS hasn't taken action to recover the overdue debt whilst we've been considering the complaint.

What happened

The broad circumstances of this complaint are known to Mr H and Mrs H and RBS. I'm also aware that the investigator issued a response to the complaint, which has been shared with all parties, and so I don't need to repeat all of the details here.

Our decisions are published, and it's important that I don't include any information that might result in Mr H and Mrs H being identified. Instead I'll give a brief summary of the main points, and then focus on giving 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 H and Mrs H's mortgage started in 2004 and fell due for repayment in 2019; Mr H and Mrs H's means of repaying was selling the mortgaged property, but they wanted to renovate it first. RBS allowed them a two-year grace period to do so, but when that came to an end in 2021, the mortgage still wasn't repaid, as the renovation work had been delayed by the COVID-19 pandemic. RBS agreed another term extension, this time until July 2022. However, when that date was reached, the works on the house remained unfinished and RBS refused a third term extension.

What I've decided – and why

I'll make some general observations before dealing with the substance of the complaint. 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.

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

Having done so, I've reached the following conclusions on the two heads of complaint.

The decision not to extend the mortgage term for a third time

Mr H and Mrs H have said that they were told an extension would be possible, and that the bank then changed its mind after they met with a mortgage advisor. Based on all the available evidence, what I think is more likely is that RBS told Mr H and Mrs H they could ask for a further extension and it would consider the request on its merits. That's what I'd expect the bank to do, but saying it will consider a request isn't the same thing as saying it will agree to it.

My starting point here is that Mr H and Mrs H borrowed money from RBS, and under the terms of their original agreement with RBS, was due to repay the money in 2019. No-one is entitled to borrow money; and even when they've borrowed before, they're not automatically entitled to more time to repay the debt after it has fallen due. But a lender must treat customers fairly. In the context of an application for a term extension, that means assessing it fairly in accordance with the bank's lending criteria and being mindful of what mortgage regulation requires of it. Lenders' criteria are commercially sensitive and not generally made public.

RBS will only consider granting a term extension where the borrower can evidence a suitable repayment strategy for the entire balance. It seems that the only provision Mr H and Mrs H have in mind for repaying the full balance, other than re-financing to another lender, is the sale of the mortgaged property once it has been refurbished to what they consider a satisfactory standard. RBS did allow them a two-year extension after the mortgage expired (so, to 2021) to allow them to sell the property and repay the mortgage. In the current regulatory climate, that's neither unfair nor unreasonable.

Then, when the effect of the pandemic meant the works weren't finished by the new deadline, RBS allowed Mr H and Mrs H another year. That's what I'd have expected it to do, given the new rules introduced by the FCA in response to the pandemic. But lenders aren't required to wait indefinitely to be repaid the money they've lent. Whilst RBS has continued to hold recovery action in abeyance since the complaint came to us in November 2022, it doesn't have to and we can't insist that it do so.

Where someone *cannot* repay an interest-only mortgage when it's due, then we'd expect the lender to have a conversation with the borrower about their circumstances, and try to work out a plan for repaying the mortgage. If that means providing more time, then fairness requires a lender to consider doing so. But Mr H and Mrs H aren't people who can't repay their interest-only mortgage.

Mr H and Mrs H had the means to repay the mortgage when it was due, by selling the mortgaged property. Rather, the available evidence indicates that they wanted to maximise the sale price by carrying out refurbishment work first. I understand why they'd want to do that but I don't consider it enough of a reason to find that RBS should have been required to extend the mortgage term for a third time.

In summary, the decision not to extend the term of the interest-only mortgage for a third time was a commercial judgement for RBS to make. The decision wasn't inconsistent with the bank's lending policy or current regulatory requirements. I fully understand that Mr H and Mrs H have found the decision unwelcome, but it wasn't *unfair*, and that is the test I have to apply.

Communications

Having no regulatory function means that it's not within my remit to tell RBS how it should set up and operate its communication channels. RBS' preferred channel is by phone, and whilst I appreciate that can be frustrating, especially if there are delays and difficulties in getting through to the right person. But it's not unfair treatment.

In a final response issued in July 2022, RBS paid Mr H and Mrs H £100 compensation for the trouble and upset caused by having been kept on hold for a long time whilst trying to discuss their plans for repaying the mortgage. That seems a reasonable settlement to me; if it hadn't already been paid, I would not have awarded more.

As for the messages Mr H and Mrs H receive from RBS about the overdue mortgage, I understand they find them unwelcome, to the point that they felt harassed by them. But everything has a context, and there the context is that RBS is required by the regulator to maintain contact with borrowers who have not paid back money when due. I don't wish to sound unkind but if Mr H and Mrs H don't wish to receive such reminders anymore, the obvious remedy is to pay back the money they owe.

I said at the outset that I wouldn't be commenting on every single point, and I haven't. I have, as I said I would, confined myself to those matters that I consider have a material effect on the outcome. I can see from their submissions how important this is to Mr H and Mrs H. That's a natural reaction, and entirely understandable when you're as close to a situation as they are here.

But my remit requires me to be objective, impartial, and to decide what is fair, reasonable and pragmatic in all the overall circumstances of the case. It also means that I'm not required to provide answers to every specific question that comes up if I don't consider doing so will affect the overall outcome.

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 H and Mrs H to accept or reject my decision before 20 September 2023.

Jeff Parrington

Ombudsman