

The complaint

Ms F complains about the interest rate on her mortgage with NRAM Limited. She also complains that it wouldn't accept an offer she made to pay a reduced settlement figure to bring the loan to an end.

What happened

Ms F has had a mortgage with NRAM for many years, having taken it out with the former Northern Rock before the global financial crisis. It's a buy to let mortgage, but Ms F has been living in the property for some time. The mortgage is on interest only terms.

Ms F has complained about this mortgage before. In 2019 I issued a decision in which I found that (i) it wasn't unfair that Ms F's mortgage had been on NRAM's standard variable rate (SVR) since 2009, since that was what her mortgage offer said would happen and NRAM didn't offer new fixed rates to any customers; and (ii) that the level of the SVR NRAM had charged wasn't linked to the Bank of England base rate and wasn't unfair.

Also in 2019, in a separate complaint, we said that NRAM should give Ms F consent to live in the property even though this was a buy to let mortgage for one year, until March 2020.

In 2020, in response to a further complaint, another ombudsman referred back to the 2019 decisions and said that we wouldn't reconsider those matters.

In March 2022, Ms F wrote to NRAM. She said that she had experienced serious ill physical and mental health issues, which she said was related to the high amount of interest she'd paid over the years. She said she couldn't move her mortgage to another lender and was struggling to keep up with the repayments. She said a relative had offered to gift her £120,000 to clear her mortgage and she asked NRAM to accept this in settlement of her outstanding balance.

NRAM didn't accept that offer. It said Ms F had borrowed around £170,000 and the balance had increased since then due to fees and arrears. So £120,000 wouldn't repay what she owed. It said that it was entitled to payment in full under the terms and conditions of the mortgage and wouldn't agree to accept less.

As a result, Ms F brought a further complaint. She again complained about the interest rate. And she said that it wasn't fair that NRAM hadn't accepted her offer. Ms F said this wasn't fair because it didn't take into account the fact that she'd paid a considerable amount of interest over the years and so even with a reduced settlement she would repay in total much more than she'd borrowed. She also complained that NRAM hadn't continued to allow her to live in the property, which meant she had to move back into her other property and lose the income from renting it out as a holiday let. Separately, Ms F paid off her mortgage in full.

Our investigator didn't recommend that the complaint should be upheld so Ms F asked for an ombudsman to make a final decision.

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.

I'm sorry to hear of the health problems and other difficulties Ms F has experienced.

I've previously considered the interest rate applied to her mortgage in 2019, and it wouldn't be fair to re-open that now. So in this decision I'll only consider the fairness of interest charged to her mortgage since the previous complaint.

Ms F's mortgage was on NRAM's SVR. NRAM doesn't offer new fixed rates to any customers, and so Ms F wasn't being treated less favourably than other customers. There's no requirement either in law, the rules of mortgage regulation (though as a buy to let mortgage this isn't a regulated agreement) or the terms and conditions that obliged NRAM to offer her a new fixed rate, or a lower interest rate, once her initial deal expired in 2009. And so I don't think NRAM acted unfairly when it didn't offer Ms F a new interest rate between the previous complaint and the redemption of her mortgage in 2022.

I've also considered the fairness of the interest charged in this period by reference to the level of the SVR. In doing so, I've taken into account previous changes to the SVR which, taken together, contributed to the level of the SVR charged during the period I can consider – even if those previous changes occurred before that period. NRAM is entitled under the terms and conditions to vary the SVR from time to time, subject to the limits on doing so in the terms and conditions. Primarily, it has changed the SVR from time to time to take account of changes in external rates such as the Bank of England base rate, and to reflect changes in the costs of funding its mortgage business. I've not seen any evidence that it has set or varied the SVR in an unfair way and so I don't think I can reasonably find that the level of the SVR it charged since the last complaint was unfair.

Ms F also complains that NRAM didn't continue the consent to let, meaning she had to move out of this property and back into her other property, which was previously a source of income. The previous decision said that NRAM only had to allow Ms F to live in the property until March 2020, and it's not appropriate for me to re-open that issue now.

Finally, I've thought about whether NRAM ought fairly to have accepted Ms F's reduced settlement offer. I understand why she felt maintaining the mortgage was difficult and that it would help her to be able to pay it off. But Ms F did borrow the money, and NRAM is entitled to expect that she pays it back as agreed – which includes not just the original balance but also the interest charged on it. I've found both in 2019 and again in this complaint that the interest NRAM has charged is not unfair, and I don't think I can fairly expect that NRAM ought to have agreed to waive a substantial part of the capital it was owed. Where a customer is in financial difficulty, as Ms F was, I would expect a lender to show reasonable forbearance – but that doesn't generally include writing off a large part of the outstanding balance. I think NRAM gave fair consideration to Ms F's request, but ultimately did not act unreasonably in not agreeing to it.

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 Ms F to accept or reject my decision before 5 December 2023.

Simon Pugh
Ombudsman