

The complaint

Mr U complains that Bank of Scotland plc trading as Halifax has treated him unfairly when declining to offer an extension to his mortgage term and fixed rate.

What happened

Mr U has an interest only mortgage with Halifax which was taken out in 2007 and runs for 18 years. The mortgage term is due to end in early 2025.

In early 2023 Mr U contacted Halifax to ask whether he could change the interest rate by taking a fixed rate product. His mortgage is and has been on the Halifax Homeowner Standard Variable rate for some time and he wanted to reduce what he was paying with a fixed rate. He was finding the increased mortgage repayments difficult to maintain and wanted to reduce the cost of this with the assistance of Halifax.

At this point the mortgage had 1 year and 11 months left of the mortgage term. Halifax said it wasn't able to offer a fixed rate due to the time that was left on his mortgage, this was because the shortest term it had available was for a 2-year fixed rate period which went beyond the term end date of the mortgage.

Mr U said he hadn't called to ask to move the mortgage to a fixed rate sooner because he'd read information in the news which explained Halifax had removed all of its fixed rate products following the mini budget announcement in late 2022. It was this which had led to the interest rate on his mortgage increasing now and he was struggling to meet the increased payment amount.

Mr U believed the news was reported as a result of information shared by Halifax and this was wrong, it was the responsibility of Halifax for providing misinformation. As he felt it was a result of its error and this stopped him believing there was an option to fix the mortgage sooner, he felt Halifax should be responsible and allow a new rate.

Halifax didn't accept that it had provided incorrect information about its products as it was not responsible for third party news articles.

Mr U also explained to Halifax he was in the process of selling his property. It had been on the market for some time and a new property had been found. Unfortunately Mr U's sale had fallen through a number of times and this was delaying the process.

Halifax explained because the property was being marketed, it would not be able to consider an extension of the mortgage term to allow for a fixed rate product. All of its fixed rate products had an Early Repayment Charge (ERC) which was payable if the mortgage was paid off early. This meant Mr U would likely be worse off as he was actively marketing his property and looking to sell as soon as a buyer could be found. As a result it couldn't agree to extend the term and allow a fix. It also explained it had no ability to reduce his mortgage rate.

Mr U explained the impact of Halifax's actions. He said his wife suffers with a permanent

health condition and the stress of their mortgage costs increasing without the support to reduce this was making this worse.

Halifax explained Mr U could look at other options with it to assist with his repayments but these were declined. He did not want to impact his credit rating and risk losing the mortgage lined up for the new property.

Our investigator looked at this complaint and didn't think Halifax had done anything wrong. She didn't think Halifax was responsible for news reported by third parties and she couldn't see that Mr U had contacted Halifax sooner to discuss what his options were. So she didn't think it was responsible for the delay in Mr U contacting it to request a change to his mortgage.

She felt it had considered extending the term of the mortgage to allow a fixed rate to be applied but when it did this, it was right that it reviewed the planned repayment vehicle for the property. And she didn't think it had acted unfairly when it didn't allow the extension based on Mr U's circumstances and a fixed rate could lead to Mr U being in a worse financial situation when his property is sold.

She also felt Halifax had acted fairly when considering the concession options it had for Mr U and his mortgage. Halifax would need to report any reduction in the contractual monthly payment amount not being met. So she didn't think it had done anything wrong here and it was Mr U's choice not to look at these options further because of his concerns on his credit score being impacted.

Mr U did not agree with our investigator. He accepted her reasoning but asked that the complaint be referred for decision as he wanted an ombudsman to consider if Halifax should stop increasing the interest rate further to assist them.

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've decided not to uphold this complaint for much the same reasons as our investigator. I appreciate this will be disappointing for Mr U and his wife, but I'll explain why I don't think Halifax has acted unfairly.

I understand why Mr U had concerns about whether Halifax was offering rates after the mini budget. It was an extremely volatile market at this point and media outlets were reporting on a number of banks withdrawing rates as the market changed. But it would not be fair to hold Halifax responsible for any articles unless written by it. And Mr U had the option to call and discuss what options he had with Halifax at any point if he was concerned about the increasing costs of his mortgage as rates changed. There is no indication this happened before January 2023 and so I don't think Halifax would need to consider what it might have done before this point.

When Mr U called to discuss his options in January 2023, Halifax correctly explained it had no fixed rate products available to offer based on the remaining term of Mr U's mortgage.

Halifax considered whether a term extension could be provided but based on the repayment strategy for the mortgage it didn't agree this was an option. And moving the mortgage from interest only to repayment, even with an extension would have resulted in the monthly repayment amounts increasing. So this would not have benefited Mr U or helped him achieve what he was hoping to do and reduce his monthly payments.

Halifax has said that overall, it doesn't think a term extension to allow a fixed rate product is suitable to Mr U and his needs and circumstances. I agree that I don't think it would be as it cannot be guaranteed that it would place him in a better position. I accept his immediate priority is to reduce his monthly outgoings, but as our investigator and Halifax has explained, a fixed rate product would be liable to an ERC if repaid within the fixed rate period.

Mr U had made it clear his plan to redeem the mortgage is based on the sale of the property and it has been actively marketed for some time. He is hoping to move as soon as a buyer is found and the mortgage with Halifax will be redeemed at this point. This would result in an ERC being chargeable if Mr U was on a fixed rate product and this could be thousands of pounds. It means that I am not persuaded it would be in Mr U's best interests to be moved to a fixed rate product, even if this was an option.

Mr U has said Halifax has informed him that if his house does not sell before the end of his mortgage term it will allow a grace period of 6 months extra. This will be reviewed and potentially allowed again after this for a further 6 months. He feels this demonstrates the mortgage could be extended and a fixed rate applied. But I don't agree. A grace period is not yet needed, so this is a hypothetical extension and for the reasons I've explained above, even if Halifax could offer a fixed rate, I don't think it would be in his best interest.

Halifax has offered a number of concessions to help Mr U out in the short term as I would expect it to, but Mr U has not wanted to accept any of these options. I understand why this is the case and it is his choice, but it does not mean that it would be reasonable to expect Halifax to do anything else.

I am sorry for the impact this matter has had on Mr U and his wife and how the increasing costs of their mortgage have been causing understandable distress. I hope they are able to sell their property as planned in the near future but for the reasons I've explained above, I don't think Halifax has acted unfairly with the steps it has taken.

My final decision

I don't uphold Mr U's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr U to accept or reject my decision before 5 February 2024.

Thomas Brissenden
Ombudsman