

The complaint

Mr B and Miss W have a mortgage with Landmark Mortgages Limited (“Landmark”). They say they only recently realised their mortgage was an interest only mortgage basis, they think the mortgage was mis-sold and they felt like mortgage prisoners because they can’t afford to switch to a product with a lower interest rate.

What happened

In 2006, Mr B and Miss W took out a 25-year repayment mortgage with Northern Rock for £110,000 plus fees. The interest rate on their mortgage was fixed for two years. After that their mortgage moved to a standard variable rate (“SVR”).

In 2007, the mortgage was converted to an interest only mortgage. Although it appears Mr B and Miss W thought this would be a temporary measure at the time, they didn’t ask for the mortgage to be switched back to a repayment mortgage.

In 2016, Mr B and Miss W’s mortgage was taken over by Landmark.

In June 2022, Mr B and Miss W complained to Landmark saying they’d only recently become aware that their mortgage was repayable on an interest only basis, they thought the mortgage was mis-sold and they felt like mortgage prisoners because they can’t afford to switch to a product with a lower interest rate. So they say they are trapped paying the mortgage they are.

Landmark said it hadn’t done anything wrong and it thought Mr B and Miss W were out of time to complain about some of the issues raised.

Mr B and Miss W complained to the Financial Ombudsman Service in August 2022.

Our investigator said we couldn’t look into Mr B and Miss W’s complaint that the mortgage was mis-sold. He said they’d used a broker to get the mortgage in 2006. So the broker was responsible for the sale.

Our investigator also said that our rules on time limits meant that that we could only consider whether Mr B and Miss W had been made aware that their mortgage was repayable on an interest only mortgage from August 2016 onwards. Likewise, we could also only consider whether Mr B and Miss W were mortgage prisoners and Landmark’s response to that from August 2016 onwards.

Mr B and Miss W accepted those jurisdiction points.

After our investigator had looked into the aspects of Mr B and Miss W’s complaint he could consider, he said he didn’t think Landmark had done anything wrong.

Mr B and Miss W remained unhappy and asked for their complaint to be reviewed by an ombudsman, so it has been passed to me to decide.

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.

Having done so I don't think Mr B and Miss W's complaint should be upheld. I'll explain why.

Mr B and Miss W say that they'd only recently become aware that their mortgage was repayable on an interest only basis. As our investigator said, I can only consider this aspect of their complaint from August 2016 onwards. However, I do think it's worth mentioning here that I've been provided with a copy of a document they signed (dated October 2007) that transferred the mortgage from a repayment to an interest only mortgage. This sets out the reasons for the switch at the time.

I've considered the annual statements Mr B and Miss W were sent from 2016 onwards. They make it clear that Mr B and Miss W's mortgage was an interest only mortgage. They contain the following wording:

"This is an interest only mortgage. Your mortgage payments do not include the costs of any savings plan or other investment you may have arranged to build up a lump sum to repay the amount you borrowed. It is important to check regularly that your savings plan or other investment is on track to repay this mortgage at the end of the term."

I think Landmark could reasonably expect Mr B and Miss W to read the mortgage statements they were sent and act on them if they didn't think something was right with their mortgage.

In the circumstances, it wouldn't be fair and reasonable for me to say that Landmark was responsible for Mr B and Miss W saying that they'd only recently realised that their mortgage was an interest only mortgage.

I've also considered Mr B and Miss W's complaint that they're unable to re-mortgage with Landmark or another lender so they consider themselves to be mortgage prisoners.

As our investigator said, I can consider this aspect of their complaint from August 2016 onwards.

Mr B and Miss W's mortgage was taken out in 2006. The mortgage offer said that the interest rate was fixed for two years. After that the interest rate would revert to the Northern Rock Standard Variable Rate ("SVR"). As set out above, the mortgage was converted to an interest only mortgage in 2007. Landmark says Mr B and Miss W didn't speak to it about moving the mortgage back to a repayment mortgage after that.

So by August 2016 Mr B and Miss W's mortgage was on Landmark's SVR and had been for some time.

Landmark has provided the Financial Ombudsman Service with detailed information about the reasons why it varied its SVR in the way that it did. The information it has given us is commercially sensitive, so I've considered it in confidence. I've considered that information in line with Mr B and Miss W's 2006 mortgage offer, relevant law and regulations. I've also considered whether Landmark acted fairly overall. Having done so, I'm satisfied Landmark varied the SVR in line with the mortgage terms and conditions and that Landmark exercised those terms fairly.

That means that overall I'm satisfied that Mr B and Miss W weren't overcharged interest on

their mortgage since August 2016. I appreciate that Landmark is a closed book lender – meaning it doesn't offer new mortgages or new interest rate products to existing customers. Mr B and Miss W feel they've been disadvantaged by that. But I don't think it would be fair to expect Landmark to offer a lower fixed interest rate when it isn't taking on new business. Nor do I think Landmark did anything wrong by not offering Mr B and Miss W a new (lower) interest rate – especially as Mr B and Miss W didn't ask for one. There is no regulatory requirement for Landmark to offer consumers a lower interest rate and nothing in the mortgage offers or the mortgage terms say that Mr B and Miss W were entitled to another interest rate after their initial fixed interest rate expired.

I'm also conscious that Landmark is not preventing Mr B and Miss W from moving to a new lender – for example, Mr B and Miss W would not be required to pay an early repayment charge if they got a mortgage with another lender.

Mr B and Miss W have told us that they've been unable to re-mortgage on affordability grounds and are looking to sell their property. They haven't shared the detail of their plans with us or told us what they did exactly to try to re-mortgage with another lender. I can see that Landmark has made its borrowers aware that they can get regulated mortgage advice without any cost to them. So I'm satisfied Landmark has done what I would expect it to do to assist Mr B and Miss W. If Mr B and Miss W get regulated mortgage advice they will be able to consider their options and their ability to move their mortgage elsewhere.

I appreciate that Mr B and Miss W are likely to be disappointed by this decision. But for the reasons set out above, I don't uphold this complaint.

My final decision

For the reasons set out above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W and Mr B to accept or reject my decision before 11 August 2023.

Laura Forster
Ombudsman