DRN-3174985

The complaint

Mrs U has complained about her mortgage that she holds with Nationwide Building Society. Her complaint falls into two broad areas, namely she's unhappy that:

- Nationwide wouldn't offer her any further concessions on her mortgage, and
- Nationwide wouldn't lend her a further £10,000 to consolidate her debts.

What happened

Mrs U took out this mortgage with Nationwide in 2013. She got into difficulties and went into arrears in 2017. Nationwide agreed to some temporary concessions whereby Mrs U only needed to pay the interest each month, which freed up funds to clear the arrears.

I understand the arrears were cleared in 2018 and Mrs U took a new preferential rate product.

In July 2019 Mrs U contacted Nationwide as she was in difficulties again and was worried about maintaining her mortgage payments going forward. It was agreed that an interest only concession would be placed on the account for three months.

Further three-month interest only concessions were granted in:

- October 2019,
- January 2020, and
- April 2020.

In June and September 2020 Nationwide instead put in place three month mortgage payment break plans. These came under Nationwide's Covid assistance plans and allowed Mrs U to make interest only payments.

For clarity, the difference between the normal concessionary interest only agreement and the Covid payment break plan is that the normal concessionary agreements would show on a person's credit file as the mortgage being in an arrangement, whereas the payment break plan wouldn't show that (in line with the regulator's Covid guidance).

Once the payment break plans ended Mrs U asked for a further interest only concessionary period, but Nationwide said it wasn't able to offer any more as it is a short-term support measure. It agreed to Mrs U making just the interest payment for January 2021 and said she'd need to revert to making her full capital repayments from February, which Mrs U did.

Mrs U asked Nationwide for a further advance of £10,000 on her mortgage, saying that she would use those funds to repay her unsecured debts, which would free up money to pay towards the mortgage. Nationwide turned down her application, citing various reasons relating to the conduct of different credit accounts.

Unhappy with everything that had happened Mrs U complained to Nationwide and to this service.

One of our investigators looked at everything and didn't uphold Mrs U's complaint. As Mrs U didn't agree with his findings the matter 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.

I purposely haven't mentioned Mrs U's specific personal circumstances in this decision to protect her privacy, but I can confirm that I have read and understood everything that has been said about that. It is clear things haven't been easy for her, and I hope she will accept my best wishes.

I can see that Mrs U has placed a great deal of emphasis on Nationwide's note from April 2020. She's said the note is incorrect as she wasn't on furlough at that point.

As our investigator explained, the recording of that call is of very poor quality and it is hard to draw much from it. Having listened to it in full it seems to me that Mrs U said she wasn't currently furloughed but she and her colleagues had been told they will possibly be furloughed, so I agree that Mrs U didn't say she was furloughed at that time. It is also clear that the adviser said on more than one occasion that the line was very bad, so it is possibly the adviser simply misheard or misunderstood what Mrs U had said due to the poor call quality.

In any event this complaint doesn't turn on that call and what was recorded in the notes of it. I'll explain why below.

In the parts of the call that are clearer I can hear that Mrs U said she didn't want a Covid payment deferral as she didn't need one. She said she'd rather be paying something than nothing at all. The adviser explained that she couldn't approve another interest only concessionary period due to the number Mrs U had already had – saying it was over her mandate. The call ended with the adviser saying that whilst she couldn't approve a further interest only concessionary period, she thought her manager would approve it so it was left that Mrs U only needed to make the interest payments for April to June 2020 unless she heard otherwise.

A letter was then sent to Mrs U on 21 April 2020 entitled *'Confirmation of your mortgage concession.'* That said

- *"Due to your current personal circumstances we've agreed a temporary concession on your mortgage account. This means you'll only be paying the interest amount on your mortgage and not making payments towards reducing your total balance, details are shown below."*

- *"This is a temporary concession and has been agreed based on your current personal circumstances. We're able to review your circumstances and this arrangement at any time. If your circumstances improve and you're able to pay more, it would be in your interest to let us know so we can re-assess your situation."*

- *"Details of this temporary concession will be passed onto Credit Reference Agencies, which are used by lenders to work out whether to lend you money or not."*

Having considered everything I'm satisfied that Nationwide didn't put a Covid support plan in place in April 2020 in line with Mrs U's request to not have one. I'm satisfied Nationwide instead put a further temporary interest only concession on Mrs U's account, and the letter it sent about that explained it was only temporary, and that information about the arrangement would be passed to credit reference agencies.

In July and October 2020 Nationwide put Covid mortgage payment break plans on Mrs U's account. The plans were set so Mrs U only needed to pay the interest due on her mortgage account for the months they were in force, so as far as Mrs U was concerned these worked the same way as the temporary interest only concessions she'd had in place since July 2019.

When those ended Nationwide looked at things again and wasn't willing to grant any further interest only concessions. It saw that Mrs U had concessions in 2017/18 and then ever since July 2019.

It's important to note that this is a repayment mortgage. The terms of the contract require Mrs U to pay not just the interest but a portion of the capital each month – so that, by the end of the term, the debt is paid off entirely. By only paying the interest each month, Mrs U was in effect treating her mortgage like an interest only mortgage.

There are strict rules about mortgage lending, which were tightened up in 2014 – including to reduce interest only lending. The rules say that a lender should consider accepting interest only payments as a temporary concession to help a borrower through a period of financial difficulty. But that can only be temporary.

Nationwide had allowed Mrs U several years to try and get things back on track before it insisted Mrs U revert to making her full payments, rather than just paying the interest. There were lots of risks in paying only the interest, and Mrs U's finances showed no sign of improving. In all the circumstances, I don't think it was unfair of Nationwide to not allow Mrs U to continue paying just the interest.

It looked at extending the term of the mortgage but, based on Mrs U's income and expenditure information, it considered that to be unaffordable even taking it to the maximum term it could lend up to. Having considered everything, I think Nationwide considered all the options and offered Mrs U forbearance options for a period of time. Unfortunately Mrs U's situation wasn't improving and a further interest only period would only cause the longer term situation to deteriorate further. Whilst understandably a very difficult message to deliver, I'm satisfied Nationwide went as far as it could in terms of offering assistance.

I understand why Mrs U wanted a further advance of £10,000 to repay her debts, and why she felt this would really improve her situation. But unfortunately, it isn't as simple as that.

Nationwide has a regulatory duty to lend responsibly, and as part of that it undertakes an assessment of a person's credit file.

Nationwide can't take into account the fact Mrs U has substantial equity in the property and ignore its duty to lend responsibly and its lending criteria. Equity is only of use if a property is sold – whether that is by the customer, or by the lender following repossession. Having equity in the property doesn't help Mrs U meet the contractual monthly payments. By consolidating unsecured debts onto her mortgage her monthly mortgage payments would go up, and whilst her overall outgoings may go down the level of risk has gone up. That's because if Mrs U were to miss a payment on an unsecured debt it may affect her credit file and she would incur some fees, whereas if she missed a payment on her mortgage (or underpaid her mortgage for any period outside of a concessionary agreement) she would be at risk of losing her home.

Nationwide assessed Mrs U's request for a further advance and turned it down due to the conduct of various credit commitments. Whilst Mrs U doesn't agree with Nationwide's assessment of her credit file information, I'm sorry to inform Mrs U that Nationwide is right.

Mrs U has said all her accounts were up to date, including her mortgage and says to describe her credit conduct as poor is incorrect. In respect of her mortgage she said *"I do not hold a poorly performing Mortgage I paid in full for 6 Years and always agreed concessions and not in Arrears."*

Concessions are only given when someone is struggling and can't meet their full contractual obligations. But by their very nature once someone has a concession like this they can't be classed as having paid in full. If Mrs U had made her full capital repayment contractual obligation each month then I would agree she'd paid in full. But she didn't. She was in arrears in 2017/18 and also had an interest only concession then, and she'd had an interest only concession since July 2019.

That solved her short-term issue in that she couldn't afford to pay her full contractual monthly payments, but it would be entirely inequitable for Nationwide to ignore that when considering whether to increase Mrs U's secured debt.

The moment Mrs U went onto a temporary interest only concession in July 2019 she was classed as being in financial difficulties and her mortgage would be poorly performing.

That concessionary agreement was noted on her credit reference file – although the individual payments show as being made, Mrs U will see there is a note that says *"arrangement"*. That note will remain all the time Mrs U would be paying interest only, rather than the capital repayments she agreed to in the mortgage contract. Prior to that in 2017/18 Mrs U had arrears on her mortgage and a temporary interest only concession.

In addition, her credit file (as it was in February 2021) showed:

- Missed payments on her car finance in the last 18 months, with the most recent payment being missed/late.

- Her Nationwide current account being in an arrangement to pay with missed payment markers in the last 18 months.

- Mrs U in default on a Nationwide credit card account (with a default date of February 2020) and a separate credit agreement (with a default date of August 2020).

Mrs U said the separate credit agreement is a closed account and she has an arrangement on that with a third-party company, and that she was also paying a third-party company on the Nationwide credit card. She said she was paying an agreed amount and the accounts weren't defaulted.

But I'm afraid I don't agree. Just because payments are being made now on a monthly basis doesn't mean an account wasn't defaulted. The fact Mrs U is paying third party companies (rather than the original lenders) for both those debts, is an indication the debts were defaulted and passed onto debt collection firms. A check of the names Mrs U has given us for who she is paying shows that both describe themselves as providing debt recovery services, and say they work on behalf of businesses to help them collect overdue debts – that tells me both debts were defaulted, as indicated by Mrs U's credit reference file.

In addition to Mrs U failing Nationwide's credit scoring check, she also didn't pass its affordability check and it deemed the extra £10,000 to be unaffordable to her based on the information she disclosed and the parameters that are in place as part of Nationwide's lending criteria. Whilst Mrs U felt it was affordable and said it would reduce her outgoings, a lender's affordability check is far more robust than a simple income and expenditure form being completed. Nationwide ran Mrs U's information through its affordability check and unfortunately it didn't pass that stage of the process.

Mrs U has raised the mention of a Covid payment holiday on the list of reasons for the decline of the further advance. Whilst I can understand why she's focussed on that as she feels the information is incorrect, I'm not persuaded that alters the overall outcome here. Even removing the Covid payment holiday as a reason for not proceeding with the further advance, Nationwide gave numerous other reasons which are valid. So even if I were to agree that the Covid payment holiday decline reason was a mistake, it wouldn't alter the overall outcome of what happened as Nationwide would still have turned down Mrs U's request for a further advance.

Whilst I've a great deal of sympathy for Mrs U's situation, having considered everything I don't think Nationwide acted inappropriately when it said it couldn't grant any further interest only payment concessions, and it was unwilling to lend Mrs U any further funds on her mortgage to repay her unsecured debts.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs U to accept or reject my decision before 17 January 2022.
Julia Meadows
Ombudsman