

The complaint

Mr W and Mrs B complained because Nationwide Building Society refused to extend the term of their interest-only buy to let mortgage.

What happened

Mr W and Mrs B had an interest-only buy to let mortgage with Cheshire Building Society. Cheshire merged with Nationwide, and in 2013 Mr W and Mrs B's mortgage was taken over by Nationwide as part of the migration of all Cheshire accounts. The letter from Cheshire informing them about this gave a balance of around £95,700, and said that as an interest-only mortgage, it was to be repaid in full by January 2018.

On 11 July 2017, Mr W and Mrs B applied to Nationwide to extend the term of the mortgage, asking for a revised redemption date of January 2023. On 20 July, Nationwide wrote to confirm the new redemption date.

In summer 2021, Mr W and Mrs B applied again to Nationwide for a five year extension to the term of their mortgage. Nationwide refused.

In its email of 20 June 2021, Nationwide said that its reasons for the refusal were:

- The Prudential Regulation Authority (PRA) had introduced standards for lenders who offer buy to let mortgages;
- Nationwide didn't offer buy to let mortgages, so it couldn't extend the terms of borrowers who'd previously had Cheshire Building Society buy to let mortgages;
- Mr W and Mrs B's current terms and conditions didn't oblige Nationwide to extend their term.

Nationwide also said that although it had extended the mortgage in 2017, it had done this by mistake and shouldn't have done so.

Nationwide noted that Mr W and Mrs B had previously had the property on the market, but had withdrawn it, presumably because of the Covid pandemic. It said that as there were still 1 year 7 months remaining on the term, they could try again to sell the property. Or they could re-mortgage elsewhere, either to one of Nationwide's subsidiaries or to another buy to let lender, or refinance their home or their other buy to let properties in order to repay the mortgage. Nationwide recommended that Mr W and Mrs B should take independent financial advice.

Mr W and Mrs B weren't satisfied and complained to this service. They said that they'd had problem tenants in the property, who they'd had to evict through a two-year court process, during which time the tenants hadn't paid rent. After the court eviction, Mr W and Mrs B found that the tenants had extensively damaged the property. Builders had quoted over £30,000, which Mr W and Mrs B couldn't afford, so they did the work themselves over a further two years. They said Nationwide had known about this.

Mr W and Mrs B had then been able to let the property again in 2020. But they hadn't known that Nationwide would refuse to extend the mortgage a second time, saying it had only done

so by mistake in 2017. They said that if they'd known Nationwide wouldn't extend the mortgage again, they wouldn't have had all the expensive repair work done. It had been very expensive, and throughout that difficult period they'd been paying the mortgage and all overheads such as rates and insurance, while not having any rental income.

After Mr W and Mrs B had contacted this service, Nationwide sent its final response letter on 29 July. This time it said its reasons for the refusal were that when the mortgage had been transferred from Cheshire Building Society, it had become subject to Nationwide's terms and conditions. And these said that Nationwide would only lend up to age 75. Mr W was currently 72, so a five year extension wouldn't be permitted.

Nationwide accepted that it had made a mistake when it had allowed the term extension in 2017, because its policy was that a mortgage migrated into Nationwide couldn't be changed. It said it had granted this in order to allow Mr W and Mrs B to renovate the property after the problem tenants had left. The fact that it had allowed the extension in 2017 didn't mean a further extension would be allowed.

Mr W and Mrs B were still unhappy and asked the investigator to look into their complaint.

Our investigator didn't uphold Mr W and Mrs B's complaint. He explained that buy to let mortgages are unregulated. This means that lenders don't have to support borrowers in the same way they have to with residential mortgage borrowers – the rules are less strict. He asked Mr W and Mrs B when the tenant problem happened, and they said they couldn't remember. But the investigator said he couldn't hold Nationwide responsible for what had happened.

Mr W and Mrs B didn't agree. They said they'd tried several times to move the mortgage to the Nationwide subsidiary which Nationwide had suggested – and it had said it didn't do buy to let mortgages. They said they'd lost over £40,000 on the property in recent years through no fault of their own. They felt that Nationwide could easily have extended the mortgage if it had wished, out of fairness to help customers in distress. They said the property was currently up for sale, and had been for six months. Mr W and Mrs B believed that if they'd still been with Cheshire Building Society, they'd have extended the term for them. They asked for an ombudsman 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 that Mr W and Mrs B had such a stressful time with their problem tenants. I do recognise that it must have been a very difficult time for them. But my job is to consider whether or not Nationwide acted outside any relevant rules in the way it treated Mr W and Mrs B – and also to decide what would be fair and reasonable in all the circumstances of the case.

Buy to let mortgages are unregulated, which means that regulatory rules don't apply to them as they do for residential mortgages. So lenders don't have to provide as much support for buy to let borrowers as they do for residential borrowers, for example. But lenders do still have to treat borrowers fairly, so I've considered this.

A key problem here is that Nationwide has a policy of not offering buy to let mortgages. Any extension to an existing term would count as lending – which it doesn't do on buy to let properties. So it's in line with its lending policies that Nationwide refused to extend the term of Mr W and Mrs B's mortgage. I can understand that this is frustrating when Nationwide did

exactly that in 2017. But the fact that it allowed an extension once doesn't mean it's obliged to do so again.

As this service wouldn't normally interfere in the commercial decisions of a financial organisation, it's not open to me to say that Nationwide has to take on buy to let lending.

I also can't interfere in what Nationwide's linked lender has as its policies, or what that lender has discussed with Mr W and Mrs B, because this complaint is against Nationwide. I do realise that this is frustrating when Mr W and Mrs B feel they've had poor service from Nationwide, but I can only act within the rules that govern this service.

I've also considered Mr W and Mrs B's current situation, and whether Nationwide's decision has put them in an urgent situation, which would mean it would be fair to expect Nationwide to help in the short term. As the term doesn't end until January 2023, I consider there's still time for them to sell or re-mortgage elsewhere before then.

In coming to this conclusion, I've taken into account the information I have about the property. Mr W told our investigator that he couldn't remember when the problems with the tenants had occurred. So I can't tell when they were resolved, and whether any particular tenancy issues still remain. But Mr W said that tenants moved in at some point during 2020, so hopefully there are no outstanding issues which might hinder Mr W and Mrs B from taking independent advice now about their best course of action before January 2023.

I don't consider it's at all helpful that Nationwide gave Mr W and Mrs B completely different reasons for its refusal, within a short timescale. But taking into account the fact that Nationwide's policy was not to offer buy to let mortgages at all, and the fact that there appears to be some breathing space before the end of the mortgage term, I don't require Nationwide to do more.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B and Mr W to accept or reject my decision before 4 February 2022.

Belinda Knight
Ombudsman