

The complaint

This complaint is about a flexible mortgage Mr and Mrs L hold with The Royal Bank of Scotland Plc ("RBS"). The essence of the complaint is that Mr and Mrs L felt compelled to draw a lump sum from Mrs L's pension fund as a result of correspondence RBS issued in 2014 saying they were behind schedule on repaying the debt facility.

What happened

The broad circumstances of this complaint are known to Mr and Mrs L and RBS. I'm also aware that the investigator has issued detailed responses to the complaint, copies of which have been sent to all parties, and so I don't need to repeat all the details here.

Our decisions are published, and it's important that I don't include any information that might result in Mr and Mrs L being identified. Instead I'll give a brief summary in my own words, with the figures rounded, and then focus on giving the reasons for my decision. If I don't mention something, it won't be because I've ignored it. It'll be because I didn't think it was material to the outcome of the complaint.

The mortgage had a flexible facility of around £105,000 and was due to be repaid in 2020. In 2014, RBS told Mr and Mrs L they were behind with their repayment schedule, and that it was going to begin reducing the facility limit in stages. A number of small reductions were made to the facility taking it down to around £85,000 in 2015. At that time, Mr and Mrs L asked RBS not to reduce the limit any further, and said they planned to use £25,000 from Mrs L's pension fund to reduce the debt.

In 2018, Mr and Mrs L drew 25% of Mrs L's pension fund value (around £39,000) and paid it into the account. They also paid the proceeds from the sale assets in a leisure facility into the account. In June 2019, with around one year left before the debt had to be repaid in full, Mr and Mrs L asked RBS to extend the term for repayment of the residual debt. RBS agreed to extend the term to 2025.

In September 2019, RBS undertook a remediation programme to address shortcomings in the way it had dealt with flexible mortgages during the period in which the above events occurred. It invited affected borrowers to show if they had suffered consequential losses. Mr and Mrs L complained that they'd been panicked into taking the money out of Mrs L's pension fund. They said that if RBS had offered them a term extension in 2014, they wouldn't have needed to do that, and as a result, Mrs L was now losing £100 of month in reduced pension income.

RBS largely rejected the complaint, albeit it paid Mr and Mrs £400 compensation for the distress caused by the events of 2014/ 2015. Our investigator didn't think the complaint should be upheld, not least because of the three year gap between Mr and Mrs L telling RBS of their plans and actually carrying them out.

Mr and Mrs L asked for the complaint to be reviewed by an ombudsman.

What I've decided – and why

I'll start with some general observations. We're not the regulator of financial businesses, and we don't "police" their internal processes or how they operate generally. That's the job of the Financial Conduct Authority. We deal with individual disputes between businesses and their customers. In doing that, we don't replicate the work of the courts.

We're impartial, and we don't take either side's instructions on how we investigate a complaint. We conduct our investigations and reach our conclusions without interference from anyone else. But in doing so, we have to work within the rules of the ombudsman service, and the remit those rules give us.

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, these are my conclusions, and the reasons for them.

The starting point here is the efforts RBS made in 2014 to ensure Mr and Mrs L would be able to repay the debt by 2020. I take Mr and Mrs L's point when they say they felt panicked by this, but in and of itself, this was a well-intentioned and responsible course of action for RBS to take. The real nub of the complaint, however, is that Mr and Mrs L are aggrieved RBS didn't suggest or offer them the option of a term extension until 2019, after Mrs T had drawn on her pension fund.

However, whilst I appreciate how strongly they feel, a term extension is a step that comes with significant additional costs for borrowers, in the form of all the additional interest the debt accrues over the longer repayment period. It is very much a last resort measure, and not one that I'd expect a responsible lender to be promoting to borrowers who already have a plan in place. Mr and Mrs L did have a plan in place; they communicated that plan to RBS in 2015, and then executed it in 2018.

Notwithstanding the steps Mr and Mrs L took in 2018, they were still faced with a substantial debt in 2019, and only one year left in which to repay it. In that situation, I consider it was appropriate for a term extension to be considered; but for the reasons set out earlier, I don't find RBS treated Mr and Mrs L unfairly by not offering it earlier.

My final decision

I don't uphold this complaint. My final decision concludes this service's consideration of this complaint, which means I'll not be engaging in any further consideration or discussion of the merits of it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs L to accept or reject my decision before 1 June 2022.

Jeff Parrington

Ombudsman