DRN-3545439

Financial Ombudsman Service

## The complaint

Mr and Mrs B complain that Bank of Scotland plc trading as Halifax didn't offer support with their mortgage when they had financial difficulties. They ask for compensation.

## What happened

Mr and Mrs B took out a mortgage with Halifax in 2008. They've had financial difficulties since 2013. Mrs B says the lack of support from Halifax led to their credit rating being damaged and arrears being added to the account.

Both Mr and Mrs B have suffered health problems over the last few years. Mrs B says Halifax used high pressure tactics to recover the debt without regard to their circumstances.

Mr and Mrs B repaid most of the arrears in late 2020 from an inheritance, and repaid the remaining mortgage balance in September 2021 from another inheritance.

Mrs B says their main complaint is that if they'd been given a payment holiday in 2013 their account would have been in better standing when they experienced further financial problems a few years later. She also complains that Halifax threatened to take possession despite Government guidance not to do so during the Covid-19 pandemic and suggested they take a lodger when they needed to shield.

I sent a provisional decision to the parties setting out why I intended to uphold the complaint and order Halifax to pay compensation of £300. In summary, I thought Halifax had treated Mr and Mrs B fairly except for the period between April and August 2020.

Halifax agreed to pay the compensation. Mrs B didn't agree they'd been treated fairly.

## 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.

Mr and Mrs B have had to deal with redundancy, financial hardship, health issues and deaths in their families. I'm sorry for what Mr and Mrs B have had to deal with. These events meant Mr and Mrs B struggled to meet their mortgage payments.

Our investigator commented in detail on what had happened since 2013. I won't set out the same level of detail here. I'll focus on the issues at the heart of the complaint brought to us by Mr and Mrs B. That is, whether Halifax offered Mr and Mrs B appropriate support when they had financial difficulties in 2013 and since, and whether it treated them fairly during the Covid-19 pandemic.

*Should Halifax have offered a payment holiday in 2013?*

During the Covid-19 pandemic, the regulator said lenders should offer payment deferrals for up to three months (later extended to six months) to help customers experiencing difficulties due to the pandemic. The special terms set out by the regulator – that payment deferrals should be offered with minimum formality, that arrears accrued during that period could be capitalised and the payment deferral wouldn't affect customers credit files – were in place for a short period as a response to the particularly challenging circumstances of the pandemic. These terms were not in place in 2013.

Although sometimes referred to as a payment holiday, a more accurate term is payment deferral. Payments due during the deferral period still have to be made, for instance by higher monthly payments after the deferral period ends.

Mr and Mrs B experienced financial hardship in 2013 and asked Halifax for help. Lenders should consider a range of options and concessions to offer suitable support to customers in financial difficulty. They don't have to reduce the interest rate or offer the option that the customer prefers.

Halifax offered reduced payment arrangements to Mr and Mrs B. It agreed to accept payments that were lower than the contractual monthly payment (CMP) for set periods. The difference between the amount paid and the CMP accrued as arrears. Halifax's records say it told Mr and Mrs B that the arrangement would result in arrears, interest would be applied to a higher balance and it could affect their credit files. Based on Halifax's records, it seems Mr and Mrs B expected in 2013 that their financial problems would be temporary. I don't think it was unfair for Halifax to offer reduced payment arrangements.

I don't think Mr and Mrs B's account would have been in a better position if Halifax had offered a payment deferral. The difference between the amount paid and the CMP would still have accrued as arrears and this would have been recorded on their credit files. They would have had to repay the arrears at some point. This would also have been the case if Halifax had offered an interest only concession.

Halifax offered to look into capitalising Mr and Mrs B's arrears in 2015. Mr and Mrs B declined. Mrs B says this was because they thought they'd fail the credit search. I haven't seen anything to suggest Halifax told Mrs B this was a requirement – in fact its notes say it told her capitalisation didn't involve a credit check. Mr and Mrs B later said they'd like to capitalise the arrears, but didn't at that time meet Halifax's criteria.

I think Halifax treated Mr and Mrs B fairly when offering reduced payment arrangements during periods of financial difficulty and when considering capitalising the arrears on their account.

*Should Halifax have offered a switch to interest only?*

Mrs B asked Halifax about switching to an interest only mortgage in March 2019. This is one of the calls where Mrs B says the call handler was rude, didn't listen and questioned how she'd spent money. I've listened to the call and I don't think the call handler spoke to Mrs B inappropriately. Mrs B was clearly frustrated. She said she'd been told by a third party that switching to interest only payments with repayment funded by the sale of the property at the end of the term was the best option. The call handler set out Halifax's criteria for a switch to interest only, such as that the account wasn't in arrears and there was a suitable repayment vehicle, but said she couldn't answer Mrs B's other questions and suggested she speak to a mortgage adviser at a branch.

Halifax declined Mrs B's request to switch to an interest only mortgage in June 2019. It said Mr and Mrs B didn't meet its criteria, including her repayment plan (waiting to inherit a property from a relative). I don't think Halifax treated Mrs B unfairly regarding her request to switch to interest only terms.

*Did Halifax give Mrs B incorrect information during the Covid-19 pandemic?*

Halifax says it didn't offer a payment deferral in 2020 because Mr and Mrs B didn't request it, and this was customer led. Mrs B says she was told they didn't meet criteria for a payment deferral.

Either way, I don't think Halifax was fair here. The regulators guidance at that time said that if a customer provides information suggesting they're experiencing difficulties as a result of the pandemic lenders should offer a payment deferral. The guidance applied regardless of whether the account was in arrears. Lenders weren't required to investigate the customers circumstances. The guidelines also said lenders should not start or continue possession proceedings at that time.

Mrs B called Halifax in April 2020 to discuss their circumstances. They were experiencing financial hardship and looking into what benefits they could claim following a change in their circumstances. Halifax's records say it suggested Mrs B get a lodger to help with income. This was an inappropriate suggestion during the pandemic and National lock down, especially as Mrs B had told Halifax about their health issues which required them to shield. Halifax's notes say action was on hold (due to the general moratorium on possession proceedings and later due to Mr and Mrs B's vulnerability) and that Mrs B was told this.

In August 2020 Halifax told Mrs B it would pass the account to its legal team if a payment wasn't made within three weeks. It said it had put numerous holds on action, the account had been in arrears for a long time and it would need regular payments to be made before it could set up an arrangement. Halifax said this was fair given the level of arrears (almost £13,000 at that time) and its previous forbearance. It says this conversation might have been the reason Mr and Mrs B made lump sum payments to reduce their arrears in November 2020, and litigation activity was in line with the mortgage terms and conditions.

In normal circumstances, it might have been fair for Halifax to take this approach. But these were not normal circumstances. I don't think Halifax applied the regulators guidance fairly or treated Mr and Mrs B fairly between April and August 2020. I think it should have offered a payment deferral, or explained why a different option was in Mr and Mrs B's best interests. And it wasn't fair to suggest in August 2020 that it would start legal action.

I don't think this made a significant difference to the eventual outcome – Mr and Mrs B had arrears of about £10,000 by April 2020 and their problems were long standing. They were only able to repay the mortgage due to an inheritance. But Mrs B found the August call upsetting, quite understandably. If a payment deferral had been in place Mr and Mrs B wouldn't have had to worry about missed payments and losing their home during the first part of the pandemic, while unwell, shielding and caring for an elderly relative.

Halifax contacted Mr and Mrs B in March 2021 to offer a payment deferral due to the impact of Covid-19 following an account review. Halifax says a payment holiday was applied in June 2021 and backdated, resulting in a credit to Mr and Mrs B's account of about £2,600. The mortgage has since been repaid from an inheritance.

I think it would be fair for Halifax to pay £300 compensation for the unnecessary additional worry it caused by not treating Mr and Mrs B fairly during the first part of the pandemic.

*Did Halifax prioritise collecting its debt over Mr and Mrs B's circumstances?*

Mr and Mrs B's mortgage has been in arrears since 2013. While Halifax didn't always agree to Mrs B's requests, it exercised forbearance over many years. Mr and Mrs B had to remain in regular contact with Halifax, and provide information about their circumstances. While I appreciate this was stressful, I think this was unavoidable if Halifax was going to be in a position to offer ongoing support.

Halifax wrote to Mr and Mrs B in February 2021 saying it would send a field agent to visit as it hadn't been able to contact them since August 2020. Mr and Mrs B found this upsetting, especially as they'd made some lump sum repayments to reduce their arrears and were shielding. However their account was still in arrears and Halifax hadn't been able to get in contact with them. I don't think it was unfair for Halifax to start the process of instructing a field agent to visit. When Mrs B called, Halifax cancelled the field agent visit and put a hold on the account to allow Mr and Mrs B time to look into obtaining benefits.

Mrs B referred to specific calls where she said Halifax had been rude or aggressive or didn't listen to her. Halifax provided recordings for these calls. I've listened to the call recordings and read through Halifax's notes of its contacts with Mrs B, as well as considering what Mrs B has said. With the exception of the period between April and August 2020, I don't think Halifax treated Mr and Mrs B unfairly.

Ultimately, if Mr and Mrs B didn't repay the mortgage, Santander was entitled to recover the debt from the sale of the property. Mr and Mrs B struggled to make mortgage payments over many years and this must have been worrying and upsetting for them. Nonetheless, Mr and Mrs B's arrears came about because they couldn't maintain their monthly payments. It was right that their credit files reflected this. I think Halifax offered appropriate support with reduced payment arrangements and holds on collection activity over seven years. Overall, with the exception of the period between April and August 2020, I don't think Halifax treated Mr and Mrs B unfairly.

## My final decision

My decision is that I uphold this complaint. I order Bank of Scotland plc to pay £300 to Mr and Mrs B.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs B to accept or reject my decision before 21 July 2022.

Ruth Stevenson
**Ombudsman**