

The complaint

Mr E and Ms E complain that Accord Mortgages Limited has treated them unfairly when it has failed to allow them to change their mortgage from repayment to interest only.

What happened

Mr E and Ms E have had a mortgage with Accord since 2018. In May 2021, Ms E called Accord to discuss having the mortgage moved to interest only from repayment as her and Mr E had separated.

Accord said Mr E and Ms E did not meet its lending criteria to allow it to change the mortgage as requested. Ms E paid for the property to be revalued and this meant an application could be considered as there was sufficient equity in the property with it now meeting the minimum criteria.

In early June the application was made with an income and expenditure assessment. Accord said it couldn't agree to move the mortgage to interest only as it had concerns over the affordability. It explained to Ms E that she could review the situation in the future and if some of her unsecured debt was repaid, it could reconsider the application. It also recommended that Ms E speak with her broker and she said this is something she would look at to see if it could help.

In September 2022 the contractual monthly payment for the mortgage was not made. Other payments due after this date were also not made and Accord instructed a field agent to visit the property and speak to Ms E about her circumstances and ability to pay the mortgage. Ms E complained to Accord about these steps and the field agent's inability to help her find a reasonable repayment plan. She felt Accord had made her situation worse by unfairly refusing to reduce the mortgage to interest only previously and she was now struggling to repay the mortgage because of this.

Our investigator looked at this complaint and didn't think Accord had acted unfairly when it declined the application to change the mortgage to interest only in 2021. She said it was reasonable to expect Accord to take account of the second charge lending on the property when the income and expenditure was completed. So regardless of whether it should have been aware of this from the start – as it had to consent to the charge be applied – she didn't think it had acted unfairly when it had considered the application and declined this when its lending criteria was not met.

Ms E responded to say she didn't agree. She said Accord does not state on their advertising criteria that an affordability check would be carried out. And it would be more affordable to reduce her overall outgoings when moving the mortgage to interest only, over leaving this on repayment. She felt Accord was declining the move to benefit it with the repayment of the debt over supporting her with an affordable option.

Our investigator's opinion remained unchanged so the complaint has been referred for 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've decided not to uphold this complaint, for much the same reasons as our investigator. I know this will be disappointing for Mr E and Ms E, but I'll explain why I don't think Accord has acted unfairly.

When Ms E called to discuss changing her mortgage, Accord initially declined to consider the application because of the equity in the property and whether this met the required level for this to be considered. I appreciate Ms E is unhappy she needed to pay for the revaluation before this could be considered but based on the original purchase price of the property and what was detailed at the time, it wasn't clear the criteria would have been met without this.

A change with a mortgage from repayment to interest only is a material change to the mortgage contract. It could result in the mortgage repayments being lower than if on a repayment basis. But a business is entitled to check that it is satisfied that the borrowing still meets its lending criteria and an affordability assessment is required.

I appreciate why Ms E feels Accord should have taken the second charge on the property into account when it initially looked at the affordability. But it is right this was considered and it's not unreasonable to expect this information to be provided. Despite consent needing to have been provided, Accord would not be aware of the repayment amount and impact this would have on Mr E and Ms E's affordability without being given this information.

I've not seen anything to demonstrate that Accord did anything wrong when assessing the income and expenditure, so I don't think there has been an error here. It provided Ms E with information about why it was unable to progress with the application and signposted her to talk to her financial adviser about other options, which she said she would. So I think it treated Mr E and Ms E fairly when dealing with their request to change the mortgage.

There was no indication given that Mr E or Ms E were experiencing financial difficulty when they made the request to change the payment method with their mortgage – this wasn't referenced as a reason for the change. There is no record of this being discussed until a field agent was appointed following the payments being missed. When this was explained a repayment plan was agreed for the arrears and I think Accord has treated Mr E and Ms E fairly when doing this. It can only provide support if it is aware of an issue and as such, I don't think it has acted unfairly with the support or options that have been provided previously.

My final decision

For the reasons I've explained above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E and Ms E to accept or reject my decision before 4 March 2024.

Thomas Brissenden
Ombudsman