

The complaint

Mr H complains that TSB Bank plc has failed to treat him fairly when he's asked for assistance with his mortgage.

What happened

Mr H's mortgage moved from a fixed rate to a standard variable rate with TSB in February 2020 and TSB wrote to Mr H in December 2019 to notify him of this change.

Mr H continued on the standard variable rate and didn't make an application to move to a new fixed rate until 2022 after he spoke with TSB about his financial situation and difficulties he was facing paying his mortgage. He had taken a payment holiday with the mortgage during Covid but this was requested online and TSB said it had no records of any conversations with it about his financial circumstances and personal health until January 2022.

In January 2022 TSB completed an income and expenditure with Mr H to see what he could reasonably afford. It identified the mortgage repayment as it was, wasn't affordable. It put Mr H onto an interest only arrangement which was designed to repay the contractual monthly interest on his account and reduce the arrears on the account, these were just short of one month's contractual payment amount.

In February 2022 TSB called Mr H to speak about the repayment. The interest rate on his mortgage was increasing following changes to the Bank of England base rate and this meant the previous amount arranged on the payment plan was not enough to cover the interest and arrears. The adviser spoke about looking at a fixed rate and Mr H explained he didn't realise he would be eligible for one of these because of his credit score and because of this, he hadn't explored this option further. But Mr H also explained his house was on the market and had been since January 2022. The adviser explained that a fixed rate might not be a suitable option as an early repayment charge (ERC) would be charged if the mortgage was redeemed within the fixed rate period. However, she explained that Mr H should think about speaking with a mortgage adviser and this could be arranged if he wanted to look at the options here.

TSB spoke with Mr H again in May 2022. It explained the monthly payment for his mortgage was increasing again and a new arrangement would need to be put in place. It was agreed TSB would review the situation and call Mr H back. In June 2022, Mr H spoke with TSB at a number of different points. He attempted to take a new interest rate but TSB didn't think this was affordable and they spoke about the house being on the market too.

Mr H explained there hadn't been much interest in the property and if he could keep it with an affordable rate, it was his preference to stay. And he spoke about the prospect of a grant with his business that would improve his financial situation. The financial difficulty team looked at whether an extension of the interest only period was something it could offer. But it couldn't provide a new product rate for the mortgage.

Mr H complained to TSB about the support he was getting and the decision not to provide

him a fixed rate. He said he's spoken with it multiple times since January 2020 but it never offered a new fixed rate. He doesn't think it fairly assessed his affordability and whether a term extension would have helped his situation. He felt they took too long to give an answer on whether it could help and that TSB said it would honour the original rate when he spoke with them in June 2022.

Mr H also complained about the service provided when the complaint was raised and how his expectations were managed.

TSB issued its final response at the end of June 2022. It didn't think it had done anything wrong and that it had provided Mr H with the right level of support with his mortgage and the financial situation he is facing. It said it had let him know when his previous fixed rate was due to end but it was Mr H's responsibility to request a new interest rate.

When he called them in January 2022 to notify it of his financial difficulties it conducted an income and expenditure and identified the mortgage was not affordable. It offered an interest only period for six months as a temporary concession to help Mr H with his outgoings at this point but was only able to offer this as a temporary option.

It felt it had acted responsibly when it didn't offer a new rate to Mr H in June when he asked for one. TSB felt the mortgage would have been unaffordable still even if switched. And as Mr H was attempting to sell his house, a fixed rate could have meant he'd need to pay an ERC when it sold. So it wasn't in his best interest to do this as it could have added to his costs. It also said it doesn't allow customers to switch a rate when on a temporary interest only plan.

TSB did identify that it hadn't always taken the correct amount from Mr H when it collected the direct debit on his account. To apologies for this, it covered the shortfall of the underfunding and made a payment of £50 to Mr H for the distress and inconvenience experienced. It also offered to cover any costs Mr H could demonstrate he incurred when speaking to TSB about his complaint.

Our investigator looked at Mr H's complaint and thought TSB needed to do more.

He agreed it hadn't made a mistake when it didn't actively move Mr H to a new rate when his old one expired. And there was no sign of Mr H speaking to TSB about his financial situation before January 2022.

When Mr H did speak with TSB, he didn't think it had acted unfairly when it declined to offer a new rate in February 2022 or June 2022. He felt the income and expenditure information demonstrated a switch was not affordable even if moved to TSB's lowest rate at the time, so this wouldn't have been a benefit. And he had to take into account that Mr H had said he was selling the house and this meant the risk of an ERC with the fixed rate would have added to his costs.

He felt TSB could have been clearer in its communication with Mr H but he didn't think this would have resulted in him being able to get a fixed rate with it. This was because he felt the income assessments made at every point showed this wasn't something that was affordable. And he didn't think Mr H had been told in June that he could get a fixed rate, or that a rate from June would be honoured if available at a later date.

However, he didn't think the compensation offered by TSB for the failings with its communication and the impact this would have had on Mr H was fair. He asked that TSB increase this by a further £200. But he didn't think it needed to do anything else in relation to Mr H's mortgage and the support it had offered with this.

TSB accepted the recommendation and was happy to pay the increased award.

Mr H did not accept. He explained why there hasn't been payments made to the mortgage regularly since the complaint has been with this Service and that there have been issues with the direct debit amount TSB was able to set up. Instead payments were made manually by phone.

Mr H also felt his affordability had not been properly assessed as the amount that was available didn't take into account some of his income and if this had been included, the outcome would have been different.

Because Mr H didn't agree with the outcome, the complaint has been passed to me 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 to uphold this complaint in part, in line with our investigator's opinion. I know Mr H will be disappointed by this as it stops some way short of what he is hoping for, but I'll explain why I've reached this decision.

I appreciate Mr H feels he spoke with TSB about his situation prior to January 2022 but there is no indication an actual conversation took place. TSB did write to Mr H ahead of his fixed rate ending but it has no obligation to proactively move him to a new fixed rate after this. The notice sent explained the mortgage would move to the standard variable rate and if Mr H wanted to look at other options, he'd need to contact TSB, but as I've said, there is no indication this took place before January 2022. So it follows that I don't think TSB has done anything when it didn't discuss fixed rates with Mr H before he spoke with them in 2022.

The crux of this complaint is, when Mr H did speak with TSB about his financial situation, did it treat him fairly. In summary, I think it did as it took time to understand Mr H's situation and circumstances and offered concessions to make the mortgage more affordable in the short term.

TSB carried out an income expenditure assessment with Mr H in January 2022 when he informed them he was experiencing financial difficulty. This was to identify whether the mortgage was affordable. At this point Mr H's monthly mortgage repayment was just over £1400 per month. The income and expenditure identified that Mr H had an available income of just under £600 so the mortgage was not affordable. It agreed to move the mortgage to interest only and to accept a reduced contractual monthly payment of £800 at this point.

Mr H spoke with TSB again in February 2022. At this point it explained the amount it would need to charge was increasing as the Bank of England Base rate had increased. The adviser spoke about Mr H talking with a mortgage advisor about whether a fixed rate option could be considered. Mr H also notified TSB that his house was on the market and they explained a fixed rate might not be the best option because an ERC could add to his costs if and when it was sold.

I think TSB acted fairly when it explained this to Mr H and it is right that this could have made his situation worse. Although a fixed rate could have reduced his monthly mortgage payment, the mortgage would still have been unaffordable and if Mr H was to sell his house within the fixed rate period, he would have incurred the extra expenses of the ERC, so I don't think it would have been in his best interest for TSB to move him to a fixed rate at this

point.

When Mr H spoke with TSB again in May and June 2022, it did look at whether a fixed rate could be offered and it indicated this was an option it should be considering. But ultimately, the same concerns that were in place in January and February meant this wasn't something it was able to offer and I can't say it was treating Mr H unfairly when it didn't offer one at this point.

I do think TSB could have been clearer from the start that it was not able to offer a fixed rate and why. This would have reduced the loss of expectation Mr H experienced when he believed there was a chance this could still happen in June 2022. And I think it is correct that TSB increases the award for distress and inconvenience by a further £200 in recognition of this.

I understand that Mr H feels TSB should have looked at options to extend the term of his mortgage and this could have had an impact on his affordability. But I don't think this would have had any real impact and as the property was on the market and the income and expenditure showed the mortgage to be unaffordable by some margin, I don't think it would have been in Mr H's best interests for TSB to have offered a fixed rate.

Mr H has also said that he doesn't think TSB took account of all of his income with the income and expenditure. While I acknowledge his point on this, I don't think it would have made a difference. There have been very little payments made towards the mortgage since June 2022 and Mr H has said this is, in part, because of the ongoing complaint, but I do think it indicates that even if additional income was considered by TSB that it had otherwise missed, the repayments were not affordable.

I understand Mr H will be disappointed by this outcome but I don't think TSB has treated him unfairly when working with him, providing support and forbearance as he has been experiencing financial difficulty. And beyond recognising that it needs to do more to reflect the impact of some of its customer service during this time, it doesn't need to do anything else.

Putting things right

TSB need to pay Mr H a further £200 for the distress and inconvenience experienced.

My final decision

I uphold this complaint in part, for the reasons I've explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 27 November 2023.

Thomas Brissenden
Ombudsman