

## **The complaint**

The estate of Mrs M complains about lifetime mortgages that were provided to the late Mrs M by Landmark Mortgages Limited trading as Northern Rock.

The complaint has been brought by the executor of the estate, Mrs Y.

## **What happened**

In 2000, Mrs M and her husband took a lifetime mortgage with Northern Rock. They borrowed £20,000 at an interest rate of 7.75%.

Mrs M's husband passed away. In 2004 she borrowed a further £20,000 at an interest rate of 7.19%. And in 2005, she borrowed a further £20,000 at an interest rate of 5.99%.

Sadly, Mrs M passed away in late 2022. Mrs Y, on behalf of the estate of Mrs M, complained about the provision on the lifetime mortgages in 2004 and 2005. She said that the property valuations had been overinflated to meet Northern Rock's lending criteria at the time. Mrs Y also said that as the new mortgage interest rates were lower than the previous mortgage rates, Mrs M should've been advised to repay the original loans and move the entire borrowing on to the new lower rate, saving Mrs M a significant amount of interest.

Northern Rock didn't uphold the complaint. It said that Mrs M had been made aware of the impact of the interest rates on the amount being borrowed and that Mrs M could've sought independent financial and legal advice if she had any concerns about the interest rates. And Northern Rock said all valuations were carried out by qualified surveyors.

Mrs Y didn't accept this and referred the complaint to our Service. One of our Investigators looked into the complaint but didn't think it should be upheld. He was satisfied that Northern Rock was entitled to rely on the valuations it had received from qualified surveyors. And he didn't think Northern Rock was required to explore consolidating the loans to a lower interest rate each time Mrs M requested further borrowing.

Mrs Y didn't accept this. And responded to our Investigator in detail. In summary, she maintained that Mrs M should've been given the option to refinance the entire amount owed at the lower interest rate each time she took further borrowing. And she said it should've been obvious to Northern Rock that the valuations were too high given the significant increases over a short space of time.

The complaint has now been passed to me, as requested by Mrs Y, to review and make a final 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.

Mrs Y has responded to our Investigator in detail. I want to reassure her I've read and thought about everything she's said. I may not address every point she's made or respond in

the same level of detail. I hope Mrs Y realises I mean no disrespect by this. It's not because I haven't considered everything, it simply reflects the informal nature of this Service.

Instead, I'll focus on what I consider to be the crux of this complaint – whether Northern Rock should've advised Mrs M to consolidate the loans at a lower rate of interest, and whether it should've questioned the valuations of the property when offering further borrowing.

When Northern Rock first advanced funds to Mrs M as a lifetime mortgage, rates were higher than they were when the subsequent further advances were granted. And I do understand why Mrs Y thinks that refinancing the original loan would've been beneficial. However, lifetime mortgages don't work in the same way that a standard mortgage works.

Unfortunately, due to the passage of time, the original mortgage offer from 2000 isn't available. However, in my experience, this would've likely made clear that any further borrowing would be at the prevailing interest rate at the time of application.

Each time further borrowing is advanced, a tranche of borrowing is funded by the lender at that time. And this tranche is funded on the expectation of the mortgage running for the expected lifetime of the borrower – in this case Mrs M. Whilst how long this will be of course can't be known at the outset, various factors such as age and gender, as well as some assumptions such as life expectancy are taken into account, when setting these rates. Most lifetime mortgages aren't designed to be repaid early. They are designed to be repaid either on death or the borrower moving into long term care. And they are priced at the start of the borrowing accordingly based on the expectation of how long the mortgage might last.

When Mrs M took further borrowing in 2004 and 2005, interest rates had fallen. Meaning that Northern Rock was able to price the new borrowing at a lower rate. But this doesn't mean that it was required to refinance the previous borrowing as this was priced based on market conditions at the time of that borrowing.

It's unfortunate that rates fell during this time. It's unlikely Mrs Y would've expected the mortgage to have been refinanced had rates increased during this time. But unfortunately, interest rate movements are a risk associated with lifetime mortgages. Whilst I understand why Mrs Y feels Northern Rock should've refinanced the borrowing each time further funds were advanced, for the reasons above, I don't agree.

Turning to the issue of the valuations conducted in 2004 and 2005. Mrs Y has said the valuations of the property provided were much higher than they should've been, and this may've been done to meet Northern Rock's lending criteria. I'm afraid I can't agree.

In each case, Northern Rock instructed an independent surveyor to provide a professional opinion on the property value. Each surveyor was a member of the Royal Institute of Chartered Surveyors, and therefore suitably qualified to provide this service. Northern Rock isn't the expert in the field, the surveyors are. And therefore, Northern Rock was entitled to take the opinion of the surveyor as to what the property was worth.

I've seen nothing to suggest Northern Rock tried to influence these valuations, or took any action which inflated the value of the property to meet its lending criteria. The valuations were carried out for the benefit of Northern Rock to ensure it wasn't exposing itself to more risk than it had the appetite for. And, whilst I can see that the property values had increased substantially, I would note this was around the time when property prices were increasing substantially. What a property is worth is a subjective matter, and this is why an expert is appointed to provide an opinion. I don't agree that there were grounds for Northern Rock to challenge, or go against, the professional opinion of the surveyor.

As our Investigator set out, I can't consider the actions of the surveyor as they don't fall within the remit of this service. Furthermore, the surveyor was working on behalf of Northern Rock rather than Mrs M. So, it's unlikely the estate of Mrs M would have any recourse against the surveyor in any case.

Overall, I understand the lifetime mortgages have had an impact on the value of the estate. But for the reasons set out above, I don't think Northern Rock has made a mistake in providing the lifetime mortgages. Therefore, I'm not going to ask it to take any further action.

### **My final decision**

I understand Mrs Y, on behalf of the estate of Mrs M, feels very strongly about this matter. But I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask the estate of Mrs M to accept or reject my decision before 22 April 2024.

Rob Deadman  
**Ombudsman**