DRN-4487293

The complaint

Ms B complains that Bank of Scotland plc trading as Halifax (Halifax) will not agree to a transfer of equity into her sole name.

What happened

Mr B and Ms B initially took out a mortgage together with Halifax. Since then, Mr B has moved out of the mortgaged property and ceased all payments toward the mortgage. As a result, Ms B has been making the payments toward the mortgage for over 18 months by herself.

Ms B approached Halifax and asked that the mortgage be transferred into her sole name. She says she was told to continue paying the mortgage by herself for six months to evidence affordability and to apply at that stage. Ms B did as was suggested but Halifax declined the application as unaffordable and suggested Ms B continue to evidence affordability by continuing to pay the mortgage on her own for an additional six months. Ms B did this, reapplied but was declined on the same grounds.

Ms B has now applied for the mortgage to be transferred into her name three times – each time it has been declined by Halifax as being unaffordable for her. It says that a large proportion of her income is made up of child maintenance and benefits, some of which would cease during the full term of the mortgage. So, it did not think maintaining the mortgage would be sustainable for Ms B. It has also highlighted that even if it did consider all the benefits Ms B receives for her children, her income still falls short of the total amount she is asking to borrow.

Unhappy with Halifax's decision, Ms B raised a complaint.

Halifax reassessed the application, including an appeal to the underwriters, but ultimately concluded that the application was unaffordable for Ms B. It acknowledged Ms B had been making the payments by herself for some time and the comments that other affordability calculators had shown the application to be affordable. But it did not change its decision to decline the lending.

Dissatisfied with Halifax's response, Ms B referred the complaint to our service with Mr B's consent.

One of our investigators looked into the complaint but did not think it should be upheld. He appreciated Ms B's position and that she had evidenced that she had been covering the monthly repayments by herself for some time. But he didn't think Halifax had unfairly in its assessment of her application – highlighting the need for the debt to be sustainable across the term of the mortgage, not just the fixed interest period.

Ms B disagreed with the investigator's assessment and asked that the case be reviewed again.

As the complaint could not be resolved informally it has been passed to me to decide.

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.

Having done so, I do not uphold it. I appreciate this will come as a disappointment to Ms B and that she feels strongly about this complaint. But I hope the reasons I have set out below will help her to understand why I have reached this conclusion.

Ms B doesn't agree that the application was unaffordable, she doesn't think Halifax took everything into account or acknowledged that she has been paying the mortgage by herself for over a year. Halifax doesn't think Ms B can afford to take on the mortgage on her own.

So, what I need to decide is whether Halifax gave fair consideration to Ms B's application, and I'm satisfied it did.

Before Halifax agrees to lend funds to a borrower, as a responsible lender it must ensure that the borrowing would be affordable for them – in both the short and the long term. The rules that Halifax must follow in relation to that are set out in the Mortgages and Home Finance: Conduct of Business sourcebook (also known as MCOB). In summary, before agreeing to lend, lenders need to ensure that the mortgage would be affordable for the borrower over the whole term, taking account of likely future interest rate increases and any anticipated change in circumstances.

Unfortunately, after considering Ms B's application, Halifax found that the application did not meet its affordability assessment. So, it declined the application. The decision was appealed to its underwriters and the outcome remained the same. Having reviewed the evidence Halifax has considered, I'm satisfied it did not meet Halifax's criteria for affordability reasons. I'm not persuaded that decision has been made unfairly.

One of the reasons shared with Ms B as to the decline of her application was that a large proportion of her income comes from benefits and child maintenance – some of which will stop during the term of the mortgage when two of her three children become adults.

Ms B disputes this is a fair assessment. She highlights that when she ceases to receive this income, the children will be working and paying rent to stay in her property. She also argues that her outgoings in relation to those two children will also decrease. And she does not agree that Halifax should decline an application based on an anticipated drop in her income which would take place after her fixed-interest period ends.

In agreeing to lend, Halifax must assure itself that the lending is affordable for the whole term of the mortgage, not just the initial fixed-interest period. In doing so, it is complying with mortgage regulation intended to protect customers like Ms B. While I can understand why Ms B thinks the application should focus on what her affordability is now, I can't say Halifax has acted in error or has treated her unfairly by ensuring that the mortgage would be affordable for her throughout the full term – particularly given the likely increase in interest rates and known drop in income.

During the appeal to its underwriters, Halifax did run the application including all the child maintenance and benefit income Ms B receives, but the application still failed. Including all of Ms B's income against the income multiplier that Halifax uses Ms B's application still falls short. As such, her total income was deemed insufficient to support the full mortgage balance on her own at this moment in time. This may change in the future as the mortgage balance naturally decreases through repayment, but for now, I am not persuaded Halifax has acted unreasonably in the way it has assessed Ms B's application.

Ms B has suggested that the risk to Halifax in granting the application would be small as the value of her house means she has significant equity in the property. However, the amount of equity in the property would not change the amount Ms B could afford to pay toward her mortgage each month. So, the value of the house does not reduce the risk of Ms B falling behind with her repayments should they become unaffordable or unsustainable for her in the future.

Whilst I appreciate Ms B will be disappointed with this outcome, I'm satisfied Halifax fairly considered her application based on her circumstances both at the time and during the course of the mortgage. So, I am not going to recommend that it do anything further to resolve this complaint.

My final decision

Considering everything, for the reasons I've explained, I do not uphold this complaint against Bank of Scotland plc trading as Halifax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B and Ms B to accept or reject my decision before 8 July 2024.

Lucy Wilson
Ombudsman