

The complaint

Mr and Mrs T's complaint is about a mortgage they have with National Westminster Bank Plc (NatWest). They are unhappy that NatWest has not accepted their proposal for repaying the mortgage, which requires it agreeing to give them additional time to do so.

What happened

Mr and Mrs T's mortgage ended in the autumn of 2019. The capital balance of over £450,000 was due to be repaid at that time. Mr and Mrs T were not able to do so, but did reduce the balance in 2020 by £225,000. They then also applied to convert the mortgage to a repayment basis and repay it over a term to Mr T's retirement age. While it was initially thought this would be affordable, Mr and Mrs T had omitted details of some of their debt repayments and once they were factored in, it was determined the altered mortgage would not be affordable. However, NatWest agreed a term extension to January 2021, to give Mr and Mrs T further time to sort out repaying the mortgage.

A further extension to the end of October 2021 was subsequently agreed. Toward the end of that extension Mr and Mrs T informed NatWest they had legal action in progress, which if successful, would provide them with the funds to repay the mortgage. NatWest agreed a further extension as it was expected the legal case would reach a conclusion in 2022. However, that didn't happen and the date for the case to reach resolution kept moving forward. NatWest allowed additional time for the mortgage repayment accordingly.

In January 2023 NatWest decided to stop allowing the repayment of the mortgage to drift on and issued Mr and Mrs T with a formal demand, requiring them to repay the outstanding mortgage. Mr and Mrs T asked for a further extension of time. NatWest rejected their proposal but said that it would allow them the two years requested, but they needed to make monthly capital repayments to the debt throughout that time. Mr and Mrs T didn't consider the payments needed were affordable and so the offer was unacceptable to them.

Toward the end of July 2023 NatWest informed Mr and Mrs T it would start legal action within two weeks unless the mortgage debt was repaid.

Mr and Mrs T complained to NatWest about its refusal to provide the extension of time they needed to allow their legal case to come to a resolution. NatWest responded to the complaint in a letter of 22 September 2023. It confirmed that due to the amount of time that had passed since the mortgage had been due to be repaid, it would not alter the timescales that had already been set out.

Mr and Mrs T told NatWest that they were disappointed with its response and referred the complaint to the Financial Ombudsman Service.

One of our Investigators considered the complaint, but she didn't recommend it be upheld. She was satisfied that NatWest had treated Mr and Mrs T fairly in allowing them an additional four years in which to repay their mortgage, and it didn't need to provide any further extensions in the circumstances.

Mr and Mrs T didn't accept the Investigator's opinion and asked that the complaint be referred to an Ombudsman. They reiterated their previous comments about why they considered the proposals they had put forward were reasonable. Our Investigator considered the further comments, but she didn't change her conclusions. However, she suggested that if Mr and Mrs T wanted to repay the mortgage on a monthly basis, but over a longer term than NatWest had suggested, they should speak to it directly. As agreement couldn't be reached on the complaint issues, the case was referred for an Ombudsman to consider it.

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 T had a mortgage that was partially arranged on an interest-only basis and were required to repay the outstanding capital at the end of the term. They repaid some of it the following year, but not all. As such, they were in breach of the agreement they entered into with NatWest. However, where a consumer is unable to repay their interest-only mortgage at the end of the term, we would expect a lender to look into what it could do to assist. Any such consideration would need to take into account the lender's obligation to ensure that any arrangements put in place were affordable and sustainable. The requirement for a lender to try to help a borrower doesn't mean that the borrower should be given whatever they ask for. Whatever proposals put forward by either the lender or the borrower have to be realistic and actually help the borrower.

In this case, NatWest looked at whether there were any options available to Mr and Mrs T in the form of formally extending the mortgage with a repayment strategy, but they were unable to afford that option. This didn't, however, prevent them from making additional payments to reduce the debt. NatWest also gave them additional time to make arrangements that would allow them to repay the mortgage, but it was not repaid. In 2021 NatWest gave Mr and Mrs T further time for a repayment strategy to come to fruition – settlement of ongoing legal action.

Over a year later when the legal action had experienced delays and the plan for repaying the mortgage hadn't advanced, NatWest decided that it was no longer willing to give a further extension for Mr and Mrs T to pursue that plan. At this point NatWest had shown a considerable degree of forbearance and allowed Mr and Mrs T more than four additional years to repay their mortgage. Given the strategy Mr and Mrs T had put forward as their way of repaying the mortgage didn't appear to be a realistic option at that time, I don't consider it was unreasonable of NatWest not to give them more time to pursue it.

Mr and Mrs T have said the two years NatWest gave it to repay the mortgage, if they started making capital repayments toward it, was unreasonable as it was unaffordable. NatWest has confirmed in response to the Investigator's comments on this issue that it is willing to look at an alternative arrangement if Mr and Mrs T are now willing to start making capital repayments toward the debt. I can only urge Mr and Mrs T to speak to NatWest to attempt to find a way forward.

Overall, I can't find that NatWest has treated Mr and Mrs T unfairly or inappropriately since their mortgage ended.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr and Mrs T to accept or reject my decision before 13 May 2024.

Derry Baxter
Ombudsman