

The complaint

Mr S complains that his mortgage balance with Bank of Scotland plc, trading as Halifax, increased after Halifax had told him that interest and other charges would be frozen.

What happened

The term on Mr S's interest-only mortgage with Halifax ended in November 2021. Mr S had discussed a term extension with Halifax earlier in 2021, but he didn't go ahead with an application.

In April 2022, Mr S explained to Halifax that he had been very ill both physically and mentally, and he had been unable to work. Halifax agreed not to take any action to recover the mortgage debt for three months, to give Mr S some breathing space.

Mr S and Halifax were in touch regularly in subsequent months. Mr S's situation unfortunately didn't improve. Halifax signposted him to sources of help and support, and suspended further action while he tried to recover from his illnesses and explore his options.

In November 2023, Mr S complained about the increasing mortgage balance. He said Halifax had agreed to freeze it, he had been continuing to make monthly payments, and he hadn't realised the balance was going up.

Halifax said it hadn't agreed to freeze interest and that, since Mr S's mortgage term had ended, it hadn't been recalculating the monthly mortgage payments automatically to reflect interest rate changes as it had done before. It said it had written to Mr S explaining this, and the reason the balance had increased was because the amount he was paying each month wasn't enough to cover the interest. It also said no charges other than interest had been added to the mortgage.

Our Investigator said that Halifax was entitled to continue applying interest to Mr S's mortgage, and he didn't think it had agreed to freeze the interest. He concluded that it hadn't treated Mr S unfairly.

Mr S didn't accept that conclusion, so his complaint was referred to me.

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 was sorry to read about the challenging time Mr S has had in recent years, and I hope that he's now recovering. I've taken careful account of his circumstances – but I find that I can't fairly uphold this complaint.

Mr S's mortgage term ended in late 2021, with a balance of around £40,000. Halifax expected Mr S to repay the mortgage at that point, as he had agreed to do when he took it out in 2006. Circumstances can and do change however, and I would expect Halifax to have

considered Mr S's situation and treated him fairly when he wasn't in a position to settle the mortgage.

The complaint at hand here is about the mortgage balance increasing following the end of the term. Mr S says that Halifax agreed to freeze his mortgage and stop charges because of his situation. Halifax says it didn't agree to this. Mr S hasn't been specific about when Halifax told him this, so I've looked very carefully at Halifax's records of its contact with him since November 2021.

Halifax did agree to hold off from taking action to recover the mortgage debt for periods of months at a time while Mr S focused on his health and explored his options for repaying the mortgage. I think that was a reasonable approach for it to have taken given his situation, and I note it recognised that Mr S is vulnerable and communicated with him through its specialist team. That didn't mean, though, that it agreed to stop charging interest. I find nothing in its records to say that it did agree to that or that it told Mr S interest would be stopped. On balance, the available evidence doesn't persuade me that it did tell him that.

The interest rate on Mr S's mortgage is variable and it has increased steadily since 2020, in common with other mortgage lenders' variable rates. This has resulted in the balance on Mr S's mortgage increasing by around £2,000 since the end of the term.

Mr S paid his mortgage by direct debit. In the past, when the mortgage interest rate changed, Halifax changed his monthly payments automatically. But Halifax stopped doing that after the mortgage term came to an end. It says it wrote to Mr S to let him know this would be happening, although I haven't seen a copy of that letter. It has, however, provided a copy of one of the letters it sent to Mr S when the interest rate on his mortgage increased in November 2022. That letter says:

"Some or all of your term has ended

We haven't worked out a new payment for you because some or all of your term has ended. So, your existing total monthly payment will stay the same but it won't be enough to cover the change in the interest rate. If you pay by direct debit, we'll continue to collect your existing payments using the usual reference.

We've not extended the term – which means the end date of your account is the same, and we'll continue to charge you interest until you pay off the balance in full. So, the longer your balance is outstanding, the more you'll need to pay."

I think this made clear that Mr S's monthly payments weren't being adjusted to reflect interest rate changes.

Halifax hasn't added any fees or charges to the mortgage other than interest. It was contractually entitled to add that interest, and I don't think it was unreasonable in doing so in Mr S's situation. It gave Mr S breathing space and explained where he could get help and support, including offering him a referral for advice about equity release, which he didn't want to take up.

In all the circumstances, I think Halifax has treated Mr S fairly and I don't require it to do or pay anything to settle this complaint. I encourage Mr S to keep in touch with Halifax about his plans for repayment of the mortgage.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 10 June 2024.

Janet Millington
Ombudsman