

The complaint

Miss A complains that Nationwide Building Society hasn't treated her fairly as she comes to the end of her interest only mortgage. She also says it gave her misleading advice about switching to a lifetime mortgage, and then said it no longer offered lifetime mortgages so she couldn't switch.

What happened

Miss A has an interest only mortgage with Nationwide. The term expires in early 2025 and Miss A currently has no savings or investment vehicle for repaying the capital at the end of the term.

In February 2022, as she came to the end of a fixed rate, Miss A was considering her options. These included taking a new interest rate on her existing mortgage and switching to a lifetime mortgage. She decided to take a new interest rate on her existing mortgage and selected a three year rate on Nationwide's website.

However, before the rate came into effect Miss A says she decided that she would be better taking a lifetime mortgage instead. At that time Nationwide offered lifetime mortgages. She called Nationwide and asked about either changing the three year rate to a two year rate, or switching to a lifetime mortgage. Nationwide said she couldn't cancel the three year rate and move to a two year rate without paying an early repayment charge (ERC). But it did allow customers the option of switching to a lifetime mortgage without ERC. At that time lifetime mortgage interest rates were around 2.25%. Miss A didn't go ahead with a switch at that point.

By the time Miss A decided to switch, Nationwide no longer offered lifetime mortgages so she wasn't able to. And she couldn't move to another lender because she'd have to pay an ERC to end her fixed rate. She was also concerned that in the meantime interest rates had gone up and so any lifetime mortgage she could get with another lender would be more expensive.

Miss A therefore asked Nationwide to extend her mortgage term. She said she wanted to wait for interest rates to stabilise and reduce before taking a lifetime mortgage with an interest rate fixed for life. But Nationwide refused to extend the term on interest only, and said that switching to a repayment mortgage wouldn't be affordable.

Miss A complained. She said Nationwide had promised she'd be able to switch to a lifetime mortgage only to withdraw that option. She said it wasn't fair Nationwide hadn't let her switch to a two year rate, and wouldn't let her extend the mortgage term on interest only. She also said that she'd been given wrong or incomplete advice in 2022 – had it given her full and proper advice at that time she'd have taken a lifetime mortgage at that point. To put matters right she wanted Nationwide either to extend her term, or to offer her a lifetime mortgage at the 2.25% rate that was available in 2022.

Nationwide didn't think it had done anything wrong. It said it no longer offered lifetime mortgages and was entitled to withdraw that product. Miss A hadn't wanted to move to a

lifetime mortgage yet in 2022, and by the time she did that option was no longer available. And it said that its policy was not to offer term extensions of interest only mortgages – it would only allow conversion to repayment terms. It didn't think it had treated Miss A unfairly.

Our investigator didn't recommend upholding the complaint, so Miss A asked for an ombudsman to decide 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.

I'm sorry to hear of Miss A's circumstances and I'm sure her situation is very worrying. However, I'm not persuaded that Nationwide has done anything wrong in this case.

As our investigator explained – and Miss A accepted – we can't consider the part of her complaint about switching from a three year to a two year interest rate, because Nationwide replied to that complaint in 2022 and Miss A didn't refer it to us within the six month deadline. So in the rest of this decision I'll focus on the issues about Miss A being unable to switch to a lifetime mortgage and being refused an extension of the term of her interest only mortgage.

To begin with, I've considered the calls Miss A had with Nationwide in which she says she was giving misleading and incomplete advice.

On the 4 January 2022 call Miss A asked about cancelling the three year fixed rate and replacing it with a two year rate. Nationwide explained that because the rate hadn't started yet this could be done – but not online; Miss A would need to make an appointment to speak to a mortgage adviser. Miss A also asked about what would happen at the end of her mortgage if she wasn't able to repay the capital, and Nationwide said it would look at her circumstances at that time if it arose. Miss A was then put through to the interest only team. She said she would need to sell the property or take a lifetime mortgage to repay. She wanted Nationwide to be aware those were the options she was considering. Nationwide told Miss A how to apply for a Nationwide lifetime mortgage if that's what she decided to do.

On the 25 January 2022 call Miss A called back to say she had decided to cancel the three year rate and was considering whether to take a two year rate or a lifetime mortgage. She asked about both options. Nationwide said that based on Miss A's age at that time she wouldn't be able to borrow enough to repay her interest only mortgage – she owed £135,000 but the maximum loan would be £109,000. Nationwide explained that interest rates on lifetime mortgages are fixed for life, and its current range was between 3.32% and 4.62%. Miss A asked if rates had been lower than that in the past, and the Nationwide staff member said that they had been a bit lower. Miss A said that she was worried about inflation and rising interest rates, but was still considering a two year fixed rate before switching to a lifetime mortgage. Nationwide explained that she could switch any time, without ERC, even during a fixed rate. Nationwide said that it was too late for Miss A to change the rate she'd selected from three years to two years and have it implemented for February, but if she wanted to switch to two years it could be implemented in March. Nationwide said that if Miss A decided she wanted to take a lifetime mortgage, she could get back in touch.

I don't think Miss A was misled, or given wrong advice, in either of these calls. She's pointed to the regulatory requirements for mortgage advice – but, strictly speaking, Nationwide wasn't giving her regulated mortgage advice in either of those calls. But it was giving her information about her options and the products it offered, and in doing so it had to make sure the information it gave was clear, fair and not misleading.

I'm satisfied it did that. It accurately explained that Miss A could cancel her three year rate and take a two year one, if she spoke to a mortgage adviser, and what the deadline for doing that was. It accurately explained that Miss A could switch to a lifetime mortgage without ERC. It accurately explained what current lifetime mortgage interest rates were, and how much Miss A could borrow. It didn't mislead Miss A about any of that.

Nationwide didn't say that it would withdraw lifetime mortgages a year later. But I wouldn't have expected it to. At that point it hadn't made that decision. Equally, it didn't guarantee that lifetime mortgages would always be available either.

At that time, in January 2022, Miss A decided not to pursue a lifetime mortgage application. In any case, even if she had decided to go ahead – or if Nationwide ought to have advised her to do so (which I don't think it should) – I don't think it would have made a difference. As Nationwide confirmed on the call, based on her age and property value the maximum Miss A could borrow would be around £109,000. But her existing mortgage was around £135,000, so a lifetime mortgage wouldn't have been enough to repay her interest only mortgage.

It doesn't seem that Miss A had substantial savings at this point. She's said she wasn't working and was in receipt of benefits. So if Nationwide had offered her the maximum lifetime mortgage of around £109,000 she wouldn't have been able to take it. That's because it's only possible to have one first charge mortgage at a time. Miss A wouldn't have been able to take a lifetime mortgage without paying off her interest only mortgage in full – for which she would need to find an additional £26,000 on top of the lifetime mortgage. She couldn't have taken a lifetime mortgage while also keeping a small balance on her existing mortgage, whether on interest only or repayment terms.

I don't think Nationwide was under any obligation to persuade Miss A to take a lifetime mortgage in January 2022. It gave her information about her options. If she had decided to consider a lifetime mortgage it would then have given her advice – but I don't think even then she would have been able to take one, because she wouldn't be able to borrow enough. I don't therefore think that Nationwide acted unfairly at this time.

Later in 2022 Miss A did decide to proceed with an application for a lifetime mortgage. But when Nationwide's adviser asked her to provide details of her income and expenditure she refused to do so because she didn't think it was necessary – because lifetime mortgages aren't assessed on affordability – and the appointment was cancelled. Again, I don't think Nationwide acted unfairly at this point. Miss A is right that a lifetime mortgage doesn't depend on affordability, because there's no obligation for payments to be made. But it's still appropriate to look at her wider financial circumstances as part of considering whether a lifetime mortgage would have been suitable for her. I think that's good practice in advising on lifetime mortgages and so I don't think it was unreasonable that Nationwide asked for this information. As Miss A chose not to provide it, the appointment didn't go ahead.

In March 2023 Nationwide took the decision to stop offering lifetime mortgages. It was entitled to do so – it's not required to keep offering products.

The effect of that was that Miss A was no longer able to take a lifetime mortgage with Nationwide. And if she took one with another lender before early 2025, she would pay an ERC on her existing mortgage for breaking the fixed rate. I appreciate this puts Miss A in a difficult position. But it's not unfair. The interest rate she selected included an ERC, and that was made clear when she took it out. Miss A had the option of switching to a two year rate, but didn't go ahead with that because she didn't think the two year rate was more competitive. While the ERC does make it more expensive to move elsewhere, including taking a lifetime mortgage from another provider, it was Miss A's decision to take the three year rate even before she spoke to Nationwide in January 2022.

Miss A also asked Nationwide about extending the term of her mortgage, but it wasn't willing to do so on interest only terms, and Miss A didn't want to apply to convert to repayment because she didn't think that would be affordable for her.

Nationwide says that it has a policy of not offering term extensions on interest only lending, because it doesn't offer interest only mortgages any more. I don't think it was unreasonable that it wouldn't consider a term extension in 2023, when Miss A still had two years of her term left.

That gives Miss A time to explore her options and find a way to repay the capital when she reaches the end of the term in 2025. However, if Miss A is unable to repay at that point, Nationwide will then need to consider her circumstances and think about what forbearance it can offer. It won't be enough simply to refuse a term extension on policy grounds without thinking about Miss A's individual circumstances. If Miss A doesn't have a way of repaying other than selling her property, a longer term extension might not be in her best interests – the longer a sale is left, the more difficult that might become as Miss A gets older and her health potentially worsens. But even then Nationwide should allow Miss A reasonable time to sell. And if Miss A does have an alternative plan for repaying – such as obtaining a lifetime mortgage – then Nationwide should fairly allow a reasonable time for her to put that plan in place, including thinking about allowing more time if, for example, she needs to wait another year or two before she is old enough to borrow the full amount she needs.

However, all that is in the future, and the above is merely to set out Nationwide's general obligations to treat Miss A fairly. I make no specific directions about what it should do if Miss A is unable to repay at the end of the term, as that will depend on her particular circumstances at that time.

In the meantime, and while I know this will disappoint Miss A, I don't uphold her complaint. I'm not persuaded that Nationwide advised against taking a lifetime mortgage in 2022, or that it failed to advise in favour when it should have done. It gave her clear fair and not misleading information so she could make up her own mind. In any case, a lifetime mortgage wouldn't have allowed her to borrow enough at that time, so even if Nationwide didn't do enough Miss A didn't miss out on a lifetime mortgage she would otherwise have had. I don't therefore think it would be fair and reasonable to require Nationwide to give her that mortgage now, or to compensate her for not doing so.

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 Miss A to accept or reject my decision before 22 April 2024.

Simon Pugh
Ombudsman