

The complaint

Mr and Mrs C complain that Aviva Equity Release UK Limited won't provide them with information to show how utilising the full voluntary partial repayment (VPR) allowance over future years will impact their lifetime mortgage balance.

What happened

Mr and Mrs C have a lifetime mortgage with Aviva. Their mortgage terms and conditions provide VPRs can be made during each 12-month period, up to 10% of the total amount owed without incurring an early repayment charge.

Mr and Mrs C have complained to Aviva about how VPRs are apportioned across the sub-accounts held and more generally. A separate complaint is being considered by our service about these matters and so I won't comment on these issues here.

Mr and Mrs C have also asked Aviva to provide them with what they consider to be "illustrations" to show how the outstanding balance of their lifetime mortgage will vary over time if they utilise their maximum VPR allowance consistently each year. They say that Aviva is required under mortgage regulations to provide clear and transparent illustrations to its customers.

Aviva disagrees. It says that the regulations only require lenders to provide an illustration when a customer is borrowing funds, and not repaying them.

Aviva says that in line with regulations, when a customer is making a VPR, it is required to let them know the outstanding amount on the lifetime mortgage at that time and give the customer an estimate of the revised amount that will be owed at the end of the term should they proceed with the VPR. Aviva says that by adhering to this, it is complying with the regulations.

Aviva said that it can't reasonably provide the specific calculation that Mr and Mrs C have asked for, because it considers there to be too many variables to be able to guarantee that such calculations would be accurate. Aviva gave several examples of situations where the accuracy of the calculation could be compromised. The list is non-exhaustive. It said:

- Aviva can only process transactions on official banking days, so there's a possibility it can't accept payments on the same date each year. It can't assume exactly when the payments would be made each year. Variations in the payment dates would impact the interest charged and the overall mortgage balance.
- There's a possibility that Mr and Mrs C may choose to pay less than the full 10% allowance each year.
- Aviva currently uses a "last in first out" (LIFO) methodology, meaning VPRs are applied to the most recent tranche of borrowing first. Aviva's terms don't specify how it applies VPRs. Aviva says it will explain how any VPRs will be applied ahead of any payments being made. As such, the terms give it discretion as to how it will apply any

payments. Aviva may choose to move away from its current methodology of LIFO.

Aviva says taking all these factors into account it considers that the potential to provide Mr and Mrs C with information which might turn out to be inaccurate carries too much risk. There's a chance that any projection it provides won't remain accurate and in the future Mr and Mrs C may feel misled if they base their financial planning on information that Aviva can't guarantee to be correct.

Mr and Mrs C didn't accept Aviva's explanation, so they asked our service to investigate things. They say that illustrations should be made available as part of the overpayment facility and it's impossible to make an informed decision regarding their estate planning without this information.

An Investigator at our service considered Mr and Mrs C's complaint and didn't recommend that it be upheld. While he understood Mr and Mrs C's need for such information to help with their financial planning, he said that Aviva was under no obligation to provide mortgage illustrations during the lifetime of the product for the purpose of outlining the impact of overpayments made. The Investigator felt Aviva had done enough to meet its obligations in line with the financial regulations. Mr and Mrs C could look to source such projections using online tools – although he could not guarantee the accuracy.

Mr and Mrs C didn't agree and asked for their case to be decided by an Ombudsman.

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.

In doing so, I've taken into account relevant law and regulations; regulators' rules guidance and standards; codes of practice; and, where appropriate, what I consider to be good industry practice. But it's important to note that while I take into account all those factors, ultimately I am deciding what I consider to be fair and reasonable in all the circumstances.

The starting point here is what the regulator's rule book for the conduct of regulated mortgage and home finance business (MCOB) say about the provision of Illustrations.

As set out in MCOB 5.5.1 R

(1) A firm must provide the customer with an illustration for a regulated mortgage contract before the customer submits an application for that particular regulated mortgage contract to a mortgage lender, unless an illustration for that particular regulated mortgage contract has already been provided.

MCOB 5.5.1 R (2) goes on to list the specific circumstances in which a lender must provide the customer with an illustration for a regulated mortgage contract (notwithstanding the exceptions in MCOB 5.5.1A R.

MCOB 9.3 extends to provide additional rules and guidance specifically in relation to pre-application disclosure for equity release (lifetime mortgage) products. This section of the rules describes the provisions of an illustration in a similar way as it does for general forms of regulated lending under the rules above.

Having carefully considered the regulator's rules on the provision of illustrations, I'm satisfied that what Mr and Mrs C are asking for doesn't meet the definition of an illustration – which is

something a lender must provide to a customer ahead of them being lent money under a regulated mortgage contract.

What Mr and Mrs C are essentially asking for is an ad-hoc document that acts as a projection of their future mortgage balance based on hypothetical overpayments in future years.

As there is no requirement in the relevant rules and regulators that stipulates a lender must provide such disclosure to the customer. I've considered whether in the circumstances I think it's fair for Aviva to decline such a request.

Having done so I think Aviva has given a fair and reasonable explanation for why it considers it inappropriate to provide such calculations. I do agree that there are too many variables that could compromise the accuracy of the projection. Due to the risk involved in Mr and Mrs C relying on what could potentially be unreliable information for the purpose of their financial planning, I don't find that Aviva is acting unfairly by refusing such a request.

I appreciate why Mr and Mrs C consider this information to be necessary to help assist with their estate planning. An independent financial advisor may be able to assist them with providing such predictions.

Having said all that, Aviva has confirmed that when a customer wants to make a VPR, it will let them know the outstanding amount on the lifetime mortgage based on the payment made at that time. By doing so I'm satisfied that Aviva is meeting its obligations under the regulator's rules, specifically principle 7 which says a firm must communicate in a way which is clear, fair and not misleading. For the reasons I've explained, I can't reasonably direct it to do anything more in the circumstances of this case.

My final decision

My final decision is that I don't uphold Mr and Mrs C's complaint against Aviva Equity Release UK Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C and Mrs C to accept or reject my decision before 15 November 2024.

Arazu Eid

Ombudsman