

The complaint

Mr and Mrs A complain that Aldermore Bank Plc wouldn't allow them to take a new fixed rate on their mortgage.

What happened

Mr and Mrs A held a mortgage with Aldermore. The mortgage was on a fixed rate, which ended on 29 September 2023. From 30 September 2023, Aldermore's standard variable rate (SVR), which was higher, applied.

Mr and Mrs A say they tried to contact Aldermore a number of times to get a new fixed rate prior to expiry of their existing fixed rate, but that Aldermore didn't help.

On 31 October 2023, Aldermore completed an income and expenditure assessment with Mr and Mrs A but said that they couldn't afford to switch to a new five-year fixed rate.

Mr and Mrs A continued to pay towards their mortgage, but they paid the amount that would be due under a fixed rate rather than the amount that was actually due now that the SVR applied. This meant that arrears built up and were recorded on their credit file.

Mr and Mrs A complained to Aldermore about the fact that it wouldn't offer them a new fixed rate. And they said there had been a number of customer service issues.

Aldermore said Mr and Mrs A had been in arrears since June 2023, and that Mr and Mrs A couldn't afford a new five-year fixed rate. It suggested Mr and Mrs A speak to it regarding other forbearance measures. It said that if Mr and Mrs A were able to bring the account up to date, it might be able to offer them a new mortgage product. Aldermore offered £50 compensation for failing to call Mr and Mrs A as promised.

Unhappy with this response, Mr and Mrs A referred their complaint to us. Mr and Mrs A continued to make a monthly payment in line with what they thought they should be paying had they been offered the five-year fixed rate. After the complaint was referred to us, Aldermore agreed a new five-year fixed rate which started on 1 March 2024.

One of our Investigators looked into the complaint. She said that Mr and Mrs A had previously had a good payment history, and it was an error when the date of payment was changed that had led to them being in arrears in June 2023. She said that arrears had only started to build up once Mr and Mrs A's mortgage moved to the SVR.

Our Investigator thought that Aldermore had failed to consider Mr and Mrs A's individual circumstances and other options it could offer them. She noted that Aldermore had since offered Mr and Mrs A a fixed rate and couldn't see why they couldn't have had this sooner.

To put things right, our Investigator said that Aldermore should backdate the fixed rate Mr and Mrs A were now on to September 2023, reducing the balance accordingly, refunding any overpaid interest and removing any arrears that had been recorded on their credit file. In addition, she thought Aldermore should pay Mr and Mrs A a further £300 compensation for

the distress and inconvenience they'd been caused.

Mr and Mrs A accepted the Investigator's opinion, but Aldermore didn't respond. So, the complaint was passed to me to make a final decision. I then contacted Aldermore explaining that I currently agreed with the Investigator's opinion and asked for further comment from Aldermore, but again, it didn't respond. So, I've decided to proceed with a final decision.

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.

When deciding cases, we rely on both parties providing information requested, and responding to both our enquiries and opinions. It's unfortunate that Aldermore hasn't responded to multiple requests from us.

When information is incomplete, or it's unclear exactly what has happened, I have to make my decision on the balance of probabilities. That is, what I think most likely happened (or in this case, should've happened) given the information I do have.

Mr and Mrs A have said they spoke with Aldermore a number of times prior to their existing fixed rate expiring but weren't able to select a new rate at the time. Aldermore has provided nothing to dispute this. So, I'm willing to accept on balance this was the case. And I think Aldermore should've tried to help Mr and Mrs A earlier than it did.

Aldermore has told us that Mr and Mrs A weren't eligible for a new rate because of arrears on their account. But it then went on to complete an income and expenditure form and said Mr and Mrs A couldn't afford to take a new fixed rate. These two statements contradict each other – if they weren't eligible for a new fixed rate because of the arrears, I'm unsure why Aldermore would go on to consider affordability. So, it's unclear to me whether it was the arrears on the account, or an affordability issue that meant they were ineligible for a new rate.

Having arrears on an account can be a reason that some lenders will not allow a borrower to take a new fixed rate. And, broadly speaking, lenders are allowed to make such decisions. However, Aldermore hasn't told us this is its policy. So I can't be sure that Mr and Mrs A are being treated in the same way as Aldermore treats all its customers.

More importantly, Mr and Mrs A have told us that the reason they were in arrears was because of an error when they changed their payment date in June 2023. This explanation seems plausible, and Aldermore has provided nothing to dispute this.

Mr and Mrs A appear to have quickly brought their account up to date when alerted to the issue following the change in payment date. While arrears did increase following expiry of the original fixed rate, this was because Aldermore didn't provide Mr and Mrs A with any assistance or offer a new fixed rate which (as I'll explain later) wasn't fair or reasonable.

As I've said, Aldermore also said it completed an income and expenditure assessment with Mr and Mrs A and this showed that they were unable to afford a new fixed rate. However, the new fixed rate was lower than the SVR which they would've moved to. There's no requirement for a lender to complete an affordability assessment in this situation either. Mr and Mrs A have maintained the payments at the level they would've been had they been moved to the fixed rate they wanted. Furthermore, Aldermore hasn't provided any details of the income and expenditure assessment it completed. And I can't see there has been any changes to Mr and Mrs A's circumstances such that the mortgage is demonstrably more affordable for them in March 2024, when Aldermore belatedly agreed the rate, than it was when Mr and Mrs A were first in touch with Aldermore about a product switch. It's also

unclear why Aldermore originally declined to offer the rate, then backtracked on this months later.

Based on the information I do have I'm not persuaded that Aldermore fairly assessed Mr and Mrs A's request for a new fixed rate when their previous one ended. And I think it should've offered them a new fixed rate at the time. So, I'm, going to tell it to do more to put matters right.

Putting things right

Mr and Mrs A were allowed to select a new fixed rate in March 2024. We don't know what rate was available in September 2023, but our Investigator suggested backdating the rate they were able to obtain in March 2024. Mr and Mrs A were happy with this, and this seems fair and reasonable in the circumstances.

So, Aldermore should rework Mr and Mrs A's account as if this fixed rate had applied from the date the previous fixed rate expired. It should refund any amount that Mr and Mrs A have overpaid to them, with 8% simple interest from the date each overpayment was made, to the date it's repaid to Mr and Mrs A. If Mr and Mrs A haven't paid enough to keep the account in the position it should be after this adjustment, Aldermore should tell Mr and Mrs A how much they need to pay to bring the account up to date. Mr and Mrs A can then choose to either pay this amount to Aldermore, or Aldermore should capitalise this amount.

Aldermore can reduce the term of the new fixed rate by the time between expiry of the previous fixed rate, and the start of the new fixed rate in March if it wishes.

Aldermore should remove any adverse entries to Mr and Mrs A's credit file as a result of not being on a new fixed rate following expiry of their previous fixed rate.

This matter has clearly caused distress and inconvenience to Mr and Mrs A. They've been trying to get a fixed rate to make their payments manageable for many months. Aldermore declined this for a number of reasons which, as set out above, I don't think were fair. This was clearly stressful for Mr and Mrs A and caused them to believe they were going further into arrears. Our Investigator suggested a further £300 compensation. I've thought about this, and I agree this amount if fair. So, Aldermore should pay Mr and Mrs A a further £300 in addition to the £50 it's already paid.

My final decision

I uphold this complaint and direct Aldermore Bank Plc to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs A to accept or reject my decision before 23 October 2024.

Rob Deadman
Ombudsman