

## **The complaint**

Mr M and Miss M have complained that the interest rate on their mortgage held with Landmark Mortgages Limited is too high. They would like Landmark to reassess the level of its Standard Variable Rate (SVR) compared with fluctuations in the Bank of England Base Rate (BOEBR) and refund the excess interest they say they've paid over the last 14 years.

## **What happened**

I do not need to set out the full background to the complaint. This is because the history of the matter is set out in the correspondence between the parties and our service, so there is no need for me to repeat the details here. In addition, our decisions are published, so it's important I don't include any information that might lead to Mr M and Miss M being identified.

So for these reasons, I will instead concentrate on giving a brief summary of the complaint, followed by the reasons for my decision. If I don't mention something, it won't be because I've ignored it; rather, it'll be because I didn't think it was material to the outcome of the complaint.

The mortgage was taken out with Northern Rock in September 2004, and in 2006 a new fixed interest rate product was taken out, which expired in 2008. The mortgage has been on SVR since then.

In 2008 the financial crash happened and Northern Rock collapsed. It stopped offering new interest rates to its borrowers, the government stepped into rescue the business and it was nationalised. Mr M and Miss M's mortgage was transferred to NRAM, then to Landmark. As the current owner of the mortgage, Landmark is responsible for the complaint.

Mr M and Miss M have said they are trapped, paying a high SVR, and are mortgage prisoners. Landmark doesn't have any new rates to offer them, nor any other customers.

Landmark has said that the mortgage has operated in line with the terms and conditions. Furthermore, Landmark has explained that it is closed to new business so doesn't offer any alternative interest rates. Landmark clarified that Mr M and Miss M are free to repay their mortgage and move to another lender at any time, as there is no early repayment charge (ERC) that would be charged on redemption of the mortgage.

On 5 January 2024 and 16 February 2024 our Investigator sent two very detailed letters to Mr M and Miss M explaining why he didn't think it was unfair that NRAM and Landmark had varied SVR as they did.

He also noted that Mr M and Miss M had highlighted an Ombudsman's decision on another case that they thought was relevant to theirs. The Investigator explained that we consider each case on its individual merits.

Overall, the Investigator was satisfied that Landmark had varied its SVR in line with fluctuations in BOEBR and that its margin between SVR and BOEBR had remained

consistent. He also clarified the reasons why it was fair for NRAM to not vary SVR between 2008 and 2010 in line with BOEBR.

Mr M and Miss M didn't agree with the Investigator and asked for an Ombudsman to review the complaint.

Miss M, who has dealt with the complaint throughout, made some further points:

- Northern Rock, NRAM and Landmark are all the same company;
- she is owed a duty of care to be treated fairly;
- NRAM's SVR was 1.98% higher than Northern Rock had ever charged;
- her current rate is 9.14%, and a reduction of 1.98% would take this to 7.19% and reduce her monthly payment by about £160 per month;
- when she was with Northern Rock, her mortgage was part-repayment, part-interest-only, the base rate was higher than it is now, but she was still paying £100 a month less, so she questions why, now BOEBR is lower, SVR is higher.

### **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 am very sorry to note that Miss M has recently suffered a family bereavement, and I would like to pass on my condolences to her. I know this has been a very difficult time for her.

I will explain at the outset that, whilst I note Miss M has referred several times to a decision made by an Ombudsman on another complaint, my decision concerns Mr M and Miss M's complaint. I will therefore make no comment on any other complaint.

I am also conscious that, particularly in his letter of 16 February 2024, the Investigator set out in detail the reasons why Northern Rock, NRAM and Landmark varied its SVR. I will not repeat all the details here, but confirm that I have read and endorsed the findings made by the Investigator on those matters.

I will also clarify that, whilst there has been continuity with Northern Rock, NRAM and Landmark, they are separate and discrete businesses in their own right. They are not the same company.

The interest rate product taken out in 2006 shows that once the fixed rate ended in 2008, Mr M and Miss M would be charged Northern Rock's SVR for a period of 3 years 4 months, followed by Northern Rock's Variable Loyalty Discount Rate, which is SVR with a discount of at least 0.25%, which would apply (provided payments are kept up to date) for the remainder of the mortgage term. If payments were not up to date, then SVR would apply with no discount.

There isn't anything specified in the mortgage offer that says that Mr M and Miss M would be entitled to another rate of interest once their rate expired. From what I can see, the mortgage has run in line with the terms and conditions of the offer.

Because of Northern Rock's collapse and nationalisation, NRAM was a closed book lender unable to offer new interest rates to any of its customers. Therefore all its customers were in the same position as Mr M and Miss M. Landmark doesn't offer new rates to any of its customers either, and there's no obligation, law or regulatory requirement for it to do so. The rules that apply to mortgage regulation do not say that a lender has to offer new interest

rates to borrowers, only that the lender must treat borrowers fairly. In the circumstances, I'm satisfied Mr M and Miss M are not being treated any differently from other Landmark customers in this respect.

Landmark can only change the interest rate for one of the reasons set out in the terms and conditions. Landmark says it relied on the provision allowing it to increase the interest rate because, for good commercial reasons, it needs to fund an increase in the interest rate to pay to its funders.

Landmark has told us why its SVR has recently increased. Under our rules, we are permitted to receive information in confidence where it is appropriate to do so, subject to providing a summary of it. It is appropriate for us to have received this information in confidence because it is commercially sensitive. But I summarise what it says below.

Landmark has increased SVR since February 2022. The increases have been at the same time and for the same amount as increases to BOEBR. The SVR is not directly linked to, and does not track, BOEBR. Landmark funds its mortgage lending business through funding arrangements with third party funders on the wholesale markets. Its funding arrangements are driven by the SONIA rate, rather than BOEBR (SONIA is a measure of the cost of lending between financial institutions and replaced LIBOR in 2022). Although BOEBR and SONIA are not linked, the SONIA rate has increased, reflective of market conditions, to much the same extent as BOEBR has.

I'm satisfied that Landmark has shown that its funding costs have increased over the same period as the recent increases to BOEBR and in line with wider market conditions. Under the mortgage terms and conditions, I'm satisfied Landmark is entitled to increase SVR where its funding costs have increased, and in turn it needs to increase the amount it pays its funders. I therefore don't think Landmark has acted in breach of contract in increasing SVR in the way that it has.

Whilst I recognise the increases have caused Mr M and Miss M real difficulty, I don't think the increases were unfair either. Landmark is entitled to increase its interest rates when its own costs increase. I acknowledge that doing so has caused Mr M and Miss M financial difficulty – and whilst that means Landmark should treat them fairly and show forbearance, it doesn't mean Landmark isn't entitled to charge the contractual interest rate or should reduce it.

Landmark's SVR is higher than the fixed rates offered by other lenders but, as I've said, it doesn't offer any new fixed rates. Furthermore, its SVR isn't an outlier or grossly excessive when compared to the SVRs of other lenders. In addition, whilst the NRAM and Landmark SVR (less, in this case, the discount) is higher than the introductory rates offered by other lenders, it is comparable to the SVR and reversionary rates offered by other lenders. So I don't think Mr M and Miss M have been treated unfairly because of the level of the reversionary rate applied to the mortgage.

It's unfortunate Mr M and Miss M aren't able to move to another lender, but the barriers to them doing so are because of their circumstances, rather than anything Landmark has, or hasn't, done. There is no ERC and so no barrier to re-mortgaging to another lender.

I do understand Mr M and Miss M are in a difficult position and would prefer their payments to be lower – and I sympathise with that. But I can't find that Landmark or its predecessors has treated them unfairly, and I can't therefore uphold this complaint.

Miss M has told us she is struggling financially. It might help Miss M to contact one of the free debt advisory services such as Citizens Advice, StepChange or Shelter. We can provide

Miss M with contact details for those agencies, if she'd like us to. I would also emphasise the importance of maintaining an open dialogue with Landmark, if Miss M finds herself falling into financial hardship. Landmark is under a regulatory obligation to consider what it can do to help borrowers who are struggling.

### **My final decision**

I know Mr M and Miss M will be disappointed, but my final decision is that I don't uphold this complaint.

This final decision concludes the Financial Ombudsman Service's review of this complaint. This means that we are unable to consider the complaint any further, nor enter into any discussion about it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M and Miss M to accept or reject my decision before 7 May 2024.

Jan O'Leary  
**Ombudsman**