

The complaint

Mr L complains that Bank of Scotland plc withdrew an offer to extend the term of his buy to let mortgage. He asks that it extends the mortgage term or allows him to repay the mortgage at a discount.

What happened

Mr L took out a buy to let mortgage with Bank of Scotland in October 2003. The mortgage was on an interest only basis and had a 20-year term.

Mr L called Bank of Scotland in late August 2023. He wanted to extend the term of his buy to let mortgage by five years and take out a new interest rate product. He says he was told the extension was agreed. The following week Bank of Scotland told Mr L this was an error and the term extension wasn't agreed.

Bank of Scotland said it had given Mr L incorrect information and poor service. It paid £50 compensation. It didn't agree to extend the mortgage term as it didn't meet its lending criteria. It offered a 12-month grace period for Mr L to repay or refinance the mortgage.

Mr L says this isn't enough. He says in August 2023 a broker had assisted him to extend the terms of other mortgages. He said they'd have been keen to include this mortgage as a bundle. He says this opportunity was lost due to Bank of Scotland confirming a five-year extension. He says he's now having to fund the mortgage via other means and interest rates have increased.

Our investigator said Bank of Scotland applied its policy correctly when it declined the term extension. He said Bank of Scotland should pay compensation of £150 (in total) which better reflected Mr L's loss of expectation and upset.

Bank of Scotland agreed. Mr L didn't respond.

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.

The term of Mr L's buy to let mortgage was due to expire in mid-October 2023. He contacted Bank of Scotland in late August 2023 to ask for a term extension and new interest rate product.

Bank of Scotland said Mr L didn't meet its lending criteria. The main reason was that the number of years remaining on the lease for Mr L's leasehold property was less than Bank of Scotland's minimum term. I don't think Bank of Scotland made an error when it said it couldn't offer the term extension as it didn't meet its lending criteria.

Mr L was unhappy that he was asked if he had financial difficulties. Bank of Scotland says it always asks questions to establish why a customer wants a term extension. I don't think this was an error. Bank of Scotland followed its process, which includes asking for information, in

order to make a decision about Mr L's request for a term extension.

Bank of Scotland accepts its service was poor. It gave Mr L incorrect information during a call on 24 August 2023. The call handler mis-understood Mr L's request. Mr L thought a term extension had been agreed.

Mr L was given correct information – that the term extension was not agreed and he'd need to speak to the end of term team – on 29 August 2023. On 30 August 2023 Bank of Scotland tried to call Mr L to tell him he didn't meet its lending criteria for an extension. It left a voice message and sent an email. Bank of Scotland spoke to Mr L on 11 September 2023 and told him it couldn't extend the term.

While the incorrect information didn't make any difference as to whether Bank of Scotland could offer a term extension, it did delay Mr L being told this. Bank of Scotland gave Mr L correct information five days later. Mr L says this caused him to miss out on including this mortgage in a "bundle" when taking advice from a broker and on lower interest rate products. Mr L hasn't provided evidence to support this.

Bank of Scotland offered a 12-month grace period for Mr L to repay or refinance the mortgage. I think this was fair.

Mr L was unhappy that Bank of Scotland didn't offer a preferential interest rate during the grace period. And he wanted Bank of Scotland to allow him to repay the balance at a discount. I don't think Bank of Scotland had fairly to offer this.

Mr L was upset when he was told the term extension wasn't agreed. Taking into account that he was given correct information within a short period, I think £150 compensation (in total) is fair and reasonable in the circumstances.

My final decision

My decision is that Bank of Scotland plc should pay £150 to Mr L – it can deduct the £50 it has already paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 29 August 2024.

Ruth Stevenson
Ombudsman