

The complaint

Mrs A complains about how The Co-operative Bank Plc trading as Platform treated her at the end of the term of her interest only mortgage.

What happened

Mrs A had a mortgage with Platform. In 2019 she'd taken a fixed interest rate, which was due to expire on 29 February 2024 – shortly before the end of the mortgage term on 1 May, when the capital was due for repayment.

Mrs A decided to sell her property to repay the mortgage. In November 2023 she got in touch with Platform to tell it of her plans to repay, and asked for a short term extension to allow her to complete on the sale. She says that Platform didn't reply to her request even when she repeated it.

Mrs A first placed her property on the market in June 2023, without success. She moved to a new estate agent in December 2023, and moved again in February 2024. She accepted an offer to purchase her property in March 2024, but was concerned that she wouldn't have enough time to complete the sale before May, when the term ended and her monthly payments would increase. That's why she wanted Platform to allow her a term extension at her existing interest rate – but Platform didn't agree.

Mrs A complains about that, and that Platform has written to her asking her to contact it about the end of the term – but whenever she does so she's required to spend long periods waiting on the phone without being able to speak to anyone. She also complains that Platform wouldn't agree to a new interest rate pending the completion of the sale, meaning that from March 2024 her mortgage would revert to the higher standard variable rate (SVR) if the sale didn't complete in time. She says that Platform wrote to her notifying her that her payments would increase without explaining why or explaining what the new interest rate was. She's also concerned that Platform said her mortgage was in arrears when she believed her payments were up to date.

Mrs A says that Platform is in breach of its regulatory obligations, including the need to treat customers fairly and to have regard to the regulator's new consumer duty, as well as the government's mortgage charter. She says that she's a vulnerable customer, and the situation has had a particular impact on her.

To resolve her complaint, Mrs A wants Platform to agree a term extension, at the previous interest rate, to allow the property sale to go through. She wants it to explain exactly what it has charged her and why her payments have increased, and she wants it to be compelled to comply with its obligations.

Platform accepted it hadn't replied to Mrs A's November 2023 letter, and didn't try to contact her until January 2024. It said it tried to contact her on 24 January (though Mrs A says she has no record of a missed call on that date). It apologised for her having experienced long call waiting times. Platform said that Mrs A's mortgage was not in arrears – when a letter said "Arrears: £3,781.33 C", the "C" meant that she was in credit, and so had overpaid by

£3,781.33 rather than being £3,781.33 in arrears. It offered £100 compensation for these issues, as well as for a delay in responding to Mrs A's complaint.

Platform also said that it wouldn't agree a formal term extension in these circumstances, but it would consider an informal extension nearer to the end of the term if Mrs A's property sale still hadn't gone through. If the mortgage wasn't repaid within 90 days of the end of the term, it would report that to the credit reference agencies. Platform said that the mortgage charter wasn't relevant in this situation.

Our investigator didn't think Platform's offer of compensation went far enough. He said Platform's communication had been poor. But he didn't think that it was unfair that Mrs A's interest rate would increase to the SVR from 1 March. He noted that the sale was progressing and that the mortgage would soon be repaid, and that Platform had agreed to allow Mrs A some more time for that to happen if necessary. He said that the compensation should be increased to £200 to reflect the upset caused by the communication issues, but didn't think Platform should be required to take any further action.

Mrs A didn't accept that and asked for an ombudsman to review her complaint. She said that Platform proposed to unilaterally increase her interest rate without considering her circumstances and without considering its obligations to treat her fairly. Even if that was in line with the terms and conditions of the mortgage, its obligations of fair treatment go beyond the minimum required in the terms and conditions – and the world has changed since they were drawn up. She had been trying to resolve the situation with Platform without success and had no expectation it would treat her fairly if she was unable to repay by the end of the term. The amount of compensation was trivial, equivalent to a parking fine, and would have no impact on Platform or lead to it changing its behaviour.

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.

Mrs A's mortgage is on interest only terms. The term ended on 1 May 2024, at which point repayment of the capital was due.

In 2019, Mrs A took a new fixed interest rate of 1.84%. The product switch offer sent to Mrs A at the time says:

This is an interest only mortgage fixed until 29 February 2024, followed by the lender Standard Variable Rate for the remainder of the mortgage term.

...

Interest rate

A fixed rate of 1.84% until 29 February 2024, followed by Platform's Standard Variable Rate, currently 4.99%, for the remaining term of the mortgage.

I think this is clear, that the fixed rate only runs until 29 February 2024, and that after that date Mrs A will be charged the SVR. The SVR was 4.99% in 2019, but has since increased as wider interest rates have risen.

From 1 March 2024, therefore, Mrs A's mortgage was no longer on the fixed rate. It was right – as required by the rules of mortgage regulation – that Platform wrote to her to tell her that her monthly payments would be changing from that date as a result. Mrs A makes the point

that that letter didn't include the new interest rate she should be charged. And I agree that it would have been helpful – but it's not a requirement to do so. The mortgage rules say that

A firm must give the customer reasonable notice, in advance, of:

- (1) Any changes to the payments that the customer is required to make resulting from interest rate changes¹

Platform did that. Mrs A's payments increased because her fixed interest rate came to an end – as the 2019 rate switch offer said would happen – and Platform gave Mrs A notice of that. I don't think the fact that wider interest rates have increased since 2019 means that the terms and conditions – including the length of the rate – that Mrs A agreed to in 2019 no longer apply or that Platform can no longer fairly rely on them.

I appreciate that the large increase in payments which resulted came as a shock to Mrs A and caused her some difficulty. And where an interest rate change causes financial difficulty I would expect a lender to show reasonable forbearance.

But I don't think it would be fair to expect Platform to extend the fixed interest rate beyond 29 February 2024, as it was only ever available to that date. I also don't think it was unreasonable that Platform expected Mrs A to remain on the SVR and wouldn't offer her a new fixed interest rate to run until she repaid the mortgage. That's because the minimum period for a new interest rate is generally around two years – but Mrs A only had a couple of months left on the term and was in the process of selling her property to repay. So there was no interest rate available for which she was eligible.

And if, despite that, a new interest rate had been given to her, extending beyond the end of the mortgage term, that wouldn't have been in her best interests either. A new fixed rate comes with an early repayment charge applicable if the mortgage is repaid during the fixed rate term. So when Mrs A's property sale completed and she repaid her mortgage she would then have to pay not just the capital but also an early repayment charge – which could be anything between 2% and 5% of the mortgage balance, outweighing any saving on interest in the meantime. A new interest rate would not be at the previous 1.84%, it would be at the rates available at the time, so any saving would be much less than the amount the payments increased by in March 2024.

Mrs A has referred to the government's mortgage charter. But I don't think that's relevant to her situation. It's aimed at borrowers in financial difficulty because of the cost of living crisis – not at borrowers at the end of the term of an interest only mortgage. There are three main measures available in the charter, but none of them would have assisted Mrs A in this situation:

- The ability to book a new interest rate up to six months ahead if eligible for one, and then switch to a lower rate if one becomes available before implementation – as I've explained Mrs A wasn't eligible for a new interest rate because of the short remaining term, and even if she was eligible the early repayment charge would mean that taking one wasn't in her best interests.
- The ability to switch a mortgage to interest only terms for six months to reduce the monthly payments – Mrs A is already on interest only terms.
- The ability to reverse a term extension within six months of taking a term extension to reduce the monthly payments – a term extension on an interest only mortgage doesn't reduce the payments since only interest is paid. Although Mrs A wanted a term extension, it wasn't for cost of living reasons and – as I'll explain below –

¹ MCOB 7.6.1 R – available at <https://www.handbook.fca.org.uk/handbook/MCOB/7/6.html>

Platform was entitled to refuse it for other reasons. So the option of reversing it, which is the new measure introduced by the charter, doesn't apply.

Platform should have been more responsive to Mrs A when she contacted it. It ought to have responded to her letters and explained its position. It's also accepted that her difficulties contacting it on the phone fell below the standards of service that its customers ought to be able to expect.

But while it ought to have communicated better, I don't think it follows that it ought to have agreed to a term extension. Mrs A agreed to repay her mortgage by 1 May 2024, and as a starting point it's reasonable to expect her to do so. She was taking active steps to do that, and had a clear plan in place. She was concerned that her property sale might not complete in time, since she'd only accepted an offer in March 2024. That was a reasonable concern, and I think it's clear Mrs A was doing everything she could to repay on time as she'd agreed, but ultimately it was out of her control and repayment might be slightly delayed.

In those circumstances I'd expect Platform to show forbearance and give Mrs A more time for her plans to complete if that proved necessary. And I'm satisfied that's what it agreed to do. Mrs A was working towards repayment on 1 May but things might take a little longer. Platform would allow that extra time if it turned out to be necessary.

A formal term extension – a variation of the mortgage contract to change the repayment date to a later one – isn't necessary in these circumstances. That might be appropriate where the repayment strategy is some way off, such as investment that wouldn't mature for another couple of years. But that wasn't the case here. Instead, Platform said that when the time came it would review things and allow Mrs A more time to repay, with an initial grace period of 90 days. I think that was fair and, in the event that Mrs A's sale was moving along but didn't complete within 90 days of the end of the term, I'd expect Platform to allow a further reasonable period for it to complete. But I don't think a formal term extension of several months or years was necessary in this situation.

Mrs A has referred to various parts of the regulator's rules, including not just the mortgage rules but the general principles and the new consumer duty. I've taken all those matters into account in deciding this complaint. Overall, the rules require Platform to act fairly towards Mrs A and allow her reasonable time to take the steps necessary to bring her mortgage to an end. And I'm satisfied that's what Platform did.

Putting things right

However, as I've said, Platform's communication with Mrs A was poor. It ignored her letters, and left her facing long call waiting times. It also delayed responding to her complaint. Mrs A has serious health conditions, and is particularly affected by stress and worry. The difficulties in coming to an agreement to resolve the repayment of her mortgage therefore had a particular impact on her. I don't think Platform's initial offer of compensation goes far enough, and it should pay her £200. The purpose of compensation is not to punish Platform or force it to change its systems or procedures; it's to compensate the complainant for what went wrong. While I appreciate Mrs A doesn't agree about that, or about the amount, that's what I've had in mind in making an award in this complaint and I'm satisfied it's fair compensation..

My final decision

My final decision is that, to the limited extent I've set out above, I uphold this complaint and direct The Co-operative Bank plc trading as Platform to increase its offer of compensation to £200.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A to accept or reject my decision before 25 July 2024.

Simon Pugh
Ombudsman