

## **The complaint**

Mr J complains that The Royal Bank of Scotland Plc unfairly declined his request to extend the term on the interest only parts of his mortgage, having previously told him it would do.

## **What happened**

Mr J initially took a mortgage with RBS in 2003 for £99,000, repayable over 25 years on a capital repayment basis. According to his annual mortgage statement dated 18 December 2023, at that point his mortgage was split over five sub-accounts – two were interest only and three were capital repayment. All had eight years and eight months remaining. The total mortgage outstanding at that time was approximately £106,000.

In March 2024, Mr J spoke to RBS a number of times about extending his mortgage term so that his mortgage ended around his 75th birthday. He says, during initial calls he was told his extension request would be agreed, but he'd need to finalize matters with a mortgage advisor. However, in a subsequent call, the mortgage advisor told him he didn't qualify for a mortgage term extension as he was not working and didn't earn over £75,000 – so his request was refused. Mr J says he wasn't told that in earlier calls and should have been. And he says the poor customer service has caused him lots of stress and anxiety.

Mr J complained to RBS. RBS missed his initial call-back time by over an hour and then the call itself became a further source of frustration to Mr J – RBS has acknowledged it didn't handle that call well. In its final response letter dated 22 April 2024, it upheld that part of his complaint and offered to pay him £50 for not calling him at the time agreed and £250 for its poor handling of the call. But it said Mr J wasn't told in previous calls that his term extension request would be approved. And RBS said that it correctly declined Mr J's request for a term extension, according to its policy.

Dissatisfied with RBS's response, Mr J asked us to consider his complaint. He told us he thinks RBS didn't listen to the call recordings because it would have heard that he was told the request for a term extension would be successful. He says he's unhappy that RBS wasted his time and gave him false hope when the initial call handlers should have known his request would have been refused. Mr J says he's not looking to change RBS's policy, but £300 isn't sufficient for what he was put through. He thinks £1,000 is more appropriate. But he does want RBS to extend his mortgage term to resolve his complaint.

Our investigator didn't conclude that RBS needs to do more to resolve Mr J's complaint. In her view letter to Mr J, she went into detail about what she'd heard from the recordings of the calls – two in particular – with the mortgage advisor (11 March 2024) and the previous call with an RBS representative (8 March 2024). She said the mortgage advisor made it clear that Mr J did not qualify for a term extension in a second call, having checked RBS's policy and the 'Mortgage Charter' after the first call. She thought there may have been some confusion in a previous call with an RBS representative but said that representative was not in a position to agree the term extension. And she concluded that the £300 offered by RBS was sufficient as Mr J would always have had to speak to a mortgage advisor to establish whether he qualified for a term extension. Our investigator also said she wouldn't ask RBS to

extend Mr J's mortgage term because its representative had led him to think the agreement would be a formality as that would go against RBS's lending criteria.

Mr J disagreed with our investigator's findings, so his complaint has been referred to me for 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.

To decide Mr J's complaint, I've thought about whether RBS handled Mr J's request for a mortgage term extension fairly and reasonably.

Mr J wanted a five-year term extension to his mortgage, taking him past the age of 70 and approximately up to the age of 75. At that time his mortgage was partly set up on an interest only basis and partly capital repayment.

RBS's general lending criteria is that interest only terms can run to a maximum age of 70, but capital repayment terms can run to age 75. And it confirmed to us that it will not consider exceptions in relation to interest only mortgages.

I understand that while Mr J was not in employment at the time of his request, he was making contractual monthly payments from benefits. However, changing the interest only parts of his mortgage to repayment don't appear to have been an option due to affordability. I say that because the interest only parts of the mortgage represented a large proportion of his outstanding borrowing and the short term remaining – even if extended – would have resulted in his contractual monthly payments increasing substantially. So, I don't think it's likely that was a plausible solution in Mr J's circumstances. He's told us he intended to gain employment, but his mortgage repayment strategy was to sell the property.

In June 2023, the UK Government and the Financial Conduct Authority (FCA) launched the Mortgage Charter – a voluntary commitment from lenders to allow mortgage borrowers certain concessions if they were struggling to make payments due to increasing interest rates and the increases in the cost of living. Those concessions were subject to conditions.

Under the Mortgage Charter borrowers can ask their lender for a term extension as a way of reducing their contractual monthly payment if they're struggling to meet it or envisage that they may do. Lenders who committed to the scheme are expected to consider such requests but would do so taking account of their general lending criteria. The Mortgage Charter doesn't require a lender to extend mortgage terms beyond the lender's age criteria.

In Mr J's case, he's told us the reason he wanted to increase the term of his mortgage was to stay in his home longer. I think that, in isolation, is a reasonable aim. However, that isn't the purpose of the Mortgage Charter, so I don't think his request was one that RBS needed to consider with the Mortgage Charter in mind. In any event, as I've said, the Mortgage Charter didn't require RBS to extend Mr J's interest only mortgage term beyond the age limits stated in its ordinary lending criteria. So, I don't think it declined Mr J's request unreasonably.

Having listened to a recording of Mr J's call with RBS's representative on 8 March 2024, I can see why there was some confusion in relation to the level of certainty of success. I think the representative did make it clear that Mr J's request to extend the term of his mortgage was dependent on a call with a mortgage advisor. But later she did indicate that was a relatively straightforward process. That said, I think tensions rose during the call and I could hear that the representative may have felt she was under some pressure to say that.

In any event, like our investigator, I wouldn't expect the representative to know all of RBS's lending policy – that wasn't her role. So, for Mr J to have his request fairly assessed he would always have had to discuss the matter with a mortgage advisor. Mr J says he feels that wasted his time, but I disagree. The representative would never have been able to agree his request – it could only have been agreed, or declined, via a mortgage advisor.

RBS offered Mr J £300 in relation to its handling of the complaint that arose from Mr J's request for a term extension. Having listened to the way RBS handled his request for a term extension, I haven't heard anything that would lead me to conclude that RBS should increase its offer of redress. I say that because I think RBS's advisor did make Mr J aware that the success of the request was dependent on a discussion with a mortgage advisor, and I don't think that discussion was a waste of Mr J's time. So, I think the impact on him of any confusion during the call with RBS's representative was minimal.

### **My final decision**

My final decision is I don't uphold Mr J's complaint about The Royal Bank of Scotland Plc. But it should pay Mr J the £300 it offered, if it hasn't done so already.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 17 January 2025.

Gavin Cook  
**Ombudsman**