

## The complaint

Mr B's complaint about The Royal Bank of Scotland Plc (RBS) relates to his mortgage coming to the end of its term in February 2024 and his attempts to seek to extend it on fresh terms.

## What happened

Mr B obtained a mortgage from RBS in February 2004. In April of that year RBS granted consent for the property to be let (Consent to Let). Mr B managed the account thereafter without problems. In March 2023 RBS advised Mr B that his mortgage term was to end on 26 February 2024.

Mr B says in August 2023 RBS said it would consider extending the term of his mortgage until his 70<sup>th</sup> birthday in 2029, on a capital and interest repayment basis, and an appointment was arranged for him to speak with RBS' mortgage advisor (MA). Mr B says the MA told him that RBS could '*consider long term extensions of mortgages if RBS could 'verify a repayment strategy savings, investments etc'*'. Later his application was refused by RBS who cited affordability as the reason why.

Following his complaint RBS did agree to extend Mr B's mortgage by 12 months on their standard variable rate (SVR), although that increased his monthly mortgage payment by £518.79. RBS said this was to allow Mr B to take advice from an independent financial advisor on his options going forward. But Mr B argues that had RBS allowed a longer extension he would then have been eligible for a fixed rate deal of around 4.5% and the monthly mortgage payment increase would have been around £132.75.

Mr B believes RBS has acted in a discriminatory fashion and did not allow him to demonstrate that his income and proposed repayment method were sufficient.

Since bringing the complaint to this service Mr B has moved his mortgage to another lender and argues that their acceptance of his mortgage application shows that RBS were simply trying to manipulate him into paying a the higher SVR rather than a lower fixed rate.

RBS said that in considering Mr B's request to extend the term, it had to consider its Buy-to-Let criteria as the mortgage was on a consent to let basis. This meant that RBS could not use all Mr B's income in their assessment of affordability, since he owned more than 20% of the business which employed and paid him. As such RBS were unwilling to extend the term of the mortgage any further.

Mr B was unhappy with RBS's final response and so approached this service to see if we could assist in resolving the dispute. Our investigator looked into the complaint but concluded that RBS hadn't done anything wrong and had dealt with the complaint fairly. Mr B didn't agree and asked for the complaint to be passed to an Ombudsman 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.

I know the parties have provided a lot more detail than set out in my summary, but I have focussed on what I see as the key issues, because it reflects the nature of our service. We are an informal dispute resolution service and an alternative to taking Court action. So, if I've not mentioned something then this isn't because I've ignored it, it's simply because I don't need to comment on every individual argument to be able to reach what I think is the right outcome. Naturally, I have considered the views of both Mr B and RBS together with the available evidence.

It's not our role to recommend how financial businesses should conduct or arrange their commercial operations and processes – that's for them to determine. We don't have the power to make rules for financial businesses, nor can we direct that they change their policy or procedures. We can only look at what happened, in the circumstances of the individual complaint, and check the business followed its rules and procedures and applied them fairly.

Having made an application to extend the term it was then for RBS to consider such an application fairly. They were not compelled to grant his application, rather they were required to assess it in line with their lending criteria and apply such criteria fairly.

RBS had two requirements before the term could be extended. The first was that the mortgage was affordable, and the second that Mr B had a repayment vehicle in place for when the term ended. RBS accept that at the time Mr B made his application he had a repayment vehicle in place to repay the mortgage at the end of the term.

RBS have said that its MA was required to use something called the buy to let toolkit, to assess affordability, and that their lending criteria required that this be passed. In their final response letter RBS said proof of income in the form of two years accounts was required, but Mr B had said at that time, that he did not have them but could provide wage slips and a bank statement showing his wages being paid in.

RBS also say the MA had asked if he could go outside RBS policy, but this request was declined.

Mr B disputes that he did not have two years of accounts and has provided accounts covering, 1/3/21 – 28/2/22, and 1/3/22 – 28/2/23. These were approved by directors on 17/10/22, and 13/11/23 respectively. I have asked RBS if these accounts were made available to the MA, and they cannot positively confirm that, as the MA is no longer contactable. However, as the MA's meeting with Mr B was on 30 October 2023 it was before the second set of accounts were available, and so he cannot have seen those.

I have studied both sets of accounts and the 1/3/21 – 28/2/22 set has a Profit and Loss Account on page four which shows a turnover figure, 'staff costs' and 'other charges' resulting in a net loss. There is no detail within the accounts which would indicate what if anything Mr B received by way of remuneration from the company. The 1/3/22 – 28/2/23 accounts have no Profit and Loss account and so once again it is impossible to say whether Mr B was receiving any remuneration.

Mr B has complained that he offered to provide payslips to prove his income, but RBS policy is that for applicants such as Mr B who have a shareholding of more than 20% in the company which employs them, they are to be treated as self-employed. For self-employed applicants, RBS policy is that they require two years of accounts to show that the applicant

had been trading continuously. At the time of the assessment those two years of continuous trading accounts were not available. Further, in my view, even if these accounts had been produced to the MA at the time, I don't consider they would satisfy that criterion, since the 1/3/22 – 28/2/23 accounts suggest that Mr B's company was, on balance, not trading for that year.

I am therefore satisfied therefore that at the time Mr B met with the MA, it was right that when assessing his application using the buy to let toolkit, the decision was a fail.

I do think the MA did try to help Mr B by asking the question as to whether his payslips could be used in place of the accounts but that was declined as it was outside RBS policy. I don't therefore accept Mr B's contention that the MA refused to accept his accounts at a later stage, because that is inconsistent with the MA trying to seek an exception for him regarding the payslips. And I think RBS acted fairly in granting a 12-month extension to provide him with additional time to seek independent financial advice and repay the outstanding balance.

I have thought about the point Mr B raises regarding discrimination. Discrimination is a matter of law, set out in the Equality Act. It's for the courts to make findings on matters of law, and it wouldn't be appropriate for me to make a finding that RBS acted in breach of the Act. It is though, a matter for me to decide whether Mr B was treated fairly in all the circumstances, and from my understanding of this element of his complaint I cannot see it relates to any of the protected characteristics covered by the Act. If Mr B considers RBS has breached the Equality Act this would be a matter for the courts, not the Financial Ombudsman Service.

In conclusion, RBS have applied their policies as they would with any other customer. As I've not seen anything showing me RBS acted unfairly towards Mr B and I won't be asking them to do anything further about this complaint.

### **My final decision**

For the reasons set out above I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 9 December 2024.

Jonathan Willis  
**Ombudsman**