

The complaint

Mr and Mrs W complain about the way that The Co-operative Bank Plc trading as Platform managed their request for a temporary switch from a repayment to an interest only mortgage.

What happened

Mr and Mrs W had a mortgage with Platform. On 30 January 2023, they asked Platform if they could switch to interest only because they needed money to fix up their home which was in a bad and unsafe state of repair. They said they experienced poor service from Platform including delay, promises of decisions that didn't materialise and several occasions where it did not call Mr and Mrs W back as it promised. Platform had delayed making a decision on whether to agree to the switch, only eventually to tell them that the change would affect their credit files. So, they did not proceed. Later, Platform agreed to a temporary switch to interest only under the Mortgage Charter, and this was implemented between October 2023 and March 2024 and the mortgage was redeemed in full in June 2024.

Platform said it upheld part of Mr and Mrs W's complaint and offered and paid Mr and Mrs W £300 compensation for their distress and inconvenience. Mr and Mrs W disagreed and asked for a review.

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.

In early 2023, Mr and Mrs W had concerns that they would not be able to pay the mortgage as they urgently needed to direct money to fixing up their home. They say that the property was left in a poor and dangerous state by the previous owner which required immediate repairs for the health of the family. At the end of January, they called Platform to request a change of their mortgage from repayment to interest-only for a period. They then found themselves constantly responding to enquiries from Platform, being promised decisions and phone returns which didn't happen. Eventually in March, Platform agreed to an interest-only concession for a period but then told Mr and Mrs W that this arrangement would impact their credit file, so Mr and Mrs W were unwilling to accept those terms.

This was a somewhat unusual application by Mr and Mrs W. Normally customers face financial difficulties arising from some issue such as sickness or redundancy that causes a drop in their income which leads them to ask for some forbearance by the lender. But in this the issue wasn't about a fall in income, rather there was an increase in expenditure to meet some necessary but expensive housing costs. So, Mr and Mrs W asked Platform to accept a reduction for a period in their monthly payments to allow them to finance this work. In a sense, rather than get a loan elsewhere Mr and Mrs W were asking Platform to loan them the money - the difference between what Mr and Mrs W would have repaid on capital repayment and interest-only - to do the work. That may explain why the decision process took so long and certainly longer than an ordinary forbearance application where the lender is generally only concerned with the present and future income and expenditure information.

The file notes from January 2023 through to March are extensive indicating an active file and that Platform are asking relevant information about the project and Mr and Mrs W's income from elsewhere including their buy to lets, returning with follow-up questions. These appear to be relevant queries and although the decision process takes about six weeks I consider that to be a reasonable period given the type of application. A loan for building work would take about that time and as I say this application was not unlike that.

What is unfortunate is the mismanagement of Mr and Mrs W's expectations on when a decision will be arrived at, the promised call-backs that didn't materialise and the time on the phones that they had to wait to make contact. So, I uphold that part of the complaint. I consider that as result, Mr and Mrs W would have suffered a degree of frustration and annoyance over a period of weeks, and I believe that the amount offered as compensation by Platform of £300 represents fair compensation for that.

Mr and Mrs W complain about not being told that there would be credit file implications of taking out the payment arrangement until the point of offer. But that would be an appropriate time to give the warning and I also note see that in February there is a record of some forewarning by Platform that this might be an issue in a phone call with Mrs W So, I can't fairly uphold that part of the complaint.

My final decision

Co-operative Bank Plc trading as Platform have already made an offer of £300 to settle this complaint which I consider to be fair in all the circumstances. As this has already been paid I make no further order.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W and Mrs W to accept or reject my decision before 22 November 2024.

Gerard McManus
Ombudsman