DRN-5064951

The complaint

This complaint's about a mortgage Mr N holds with Bank of Scotland plc trading as Halifax. He's unhappy that when he approached Halifax during a period of financial difficulties in April 2021, the business refused his request for a payment holiday. Instead, he was provided with a three-month nil payment arrangement, which he says then prevented him from getting a new fixed rate product when his existing deal expired in early 2022.

What happened

Mr N spoke to Halifax on 16 April 2021; he was under financial pressure and wanted a payment holiday. Halifax said he wasn't eligible because based on its current assessment of his property's valuer, his loan-to-value ratio (LTV) was 79%, and Halifax's lending policy on payment holidays at the time had a maximum LTV of 75%. Instead, Mr N was granted a three-moth nil payment arrangement. Under this, the missed payments should not have resulted in any arrears letters being sent out, but they would still be reported on Mr N's credit file.

In January 2022, Halifax issued a final response dealing with a complaint Mr N had made after it had mistakenly sent out arrears letters. Also in that final response, Halifax addressed the issue of the credit file reporting and its impact on Mr N's ability to switch the mortgage to a new fixed rate, to replace the one that was about to expire.

In 2023, Mr N asked again for a payment holiday. This time, the request was granted; by then, Halifax had increased the LTV limit to 90%, but in any event, its estimate of Mr N's LTV at that point was now around 70%. Mr N complained about the decision to refuse his original request from April 2021, and Halifax addressed this in a final response dated 26 January 2024.

Mr N contacted us; our investigator explained that, under our rules, we could only consider the fairness or otherwise of the decision to refuse the payment holiday in April 2021. But she said Mr N's concerns about the impact of the nil payment arrangement on his ability to secure a new fixed rate fell outside out remit, as he had referred them to us too late. On the element of the complaint we could consider, the investigator didn't think Halifax had treated Mr N unfairly.

M asked for the complaint to be reviewed by an ombudsman. By way of a decision dated 1 October 2024, I set out the reasons why my jurisdiction over this complaint is confined to the subject matter of the 26 January 2024 final response; that is, the rejection of Mr N's request for a payment holiday in April 2021. I deal with that here.

What I've decided – and why

I'll start with some general observations. We're not the regulator of financial businesses, and we don't "police" their internal processes or how they operate generally. That's the job of the Financial Conduct Authority (FCA). We deal with individual disputes between businesses and their customers. In doing that, we don't replicate the work of the courts.

We’re impartial, and we don’t take either side’s instructions on how we investigate a complaint. We conduct our investigations and reach our conclusions without interference from anyone else. But in doing so, we have to work within the rules of the ombudsman service, and the remit those rules give us.

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

As a starting point, a payment holiday isn’t an entitlement; it’s something that a borrower can apply for, and a lender must assess such applications fairly and reasonably in accordance with its lending policy. It’s not in my remit to decide what a lender’s policy should be, merely to ensure it has been applied correctly.

Here, Halifax declined Mr N’s first application for a payment holiday in April 2021, because it judged him to have fallen foul of its upper LTV limit. At the relevant time, the limit was 75%, and Halifax assessed Mr N’s LTV at around 79%. That’s fine as far as it goes, but I need to consider the method by which Halifax made the assessment.

With a new mortgage, a lender has a contemporaneous valuation from a suitably-qualified valuer to rely on. The valuation is paid for by the applicant, but is solely for the lender’s benefit. For a request such as the one Mr N made in April 2021, Halifax (like most lenders) used a “desk” valuation - that is, a figure arrived at by applying one or other of different tools (initially an internal algorithm or, if necessary, a recognised house price index) to the last-known actual valuation. That is standard industry practice, and one that I consider Halifax could reasonable and fairly rely on.

I’ve considered whether Halifax should have instructed a valuer to carry an updated valuation, to see if that might have resulted in the LTV being reset at or below 75%. On balance, I don’t consider it was something Halifax was obliged to suggest. But even if it had done so, bearing in mind Mr N would have had to pay for the updated valuation, I’m not persuaded he would more likely than not have agreed to incur further costs at a time when he was under severe financial pressure already, when there was no guarantee of a favourable outcome.

In summary, I don’t find that Halifax dealt inappropriately with Mr N’s request for a payment holiday in April 2021, or treated him unfairly when refusing it.

My final decision

My final decision is that I don’t uphold this complaint.

My final decision concludes this service’s consideration of this complaint, which means I’ll not be engaging in any further consideration or discussion of the merits of it.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr N to accept or reject my decision before 4 November 2024.
Jeff Parrington
Ombudsman