

The complaint

Mr L complains that Capital Home Loans trading as CHL Mortgages unfairly declined his request to extend the term of his mortgage.

What happened

Mr L has an interest only mortgage with CHL with the term due to end in 2027.

In June 2023, Mr L asked CHL to extend the term of his mortgage by five years. He said that under guidance issued by the FCA it was required to agree a term extension to support borrowers impacted by the cost of living crisis and that no affordability assessment was required as long as the extension did not go past the borrower's retirement age, which the extension would not do in this case.

CHL declined Mr L's request. It said that it was a "closed book" lender and had not signed up to the Mortgage Charter. It said it was not contractually obliged to offer changes to the mortgage – but if Mr L was experiencing financial difficulty he should speak to it again.

Mr L complains that CHL has not treated him fairly. It said it had not acted in line with the FCA's guidance and that it was inaccurate to say it was a closed book lender – he knew it issued buy-to-let mortgages. He also complains that CHL delayed responding to his complaint.

Our investigator did not think the complaint should be upheld. Mr L did not accept what the investigator said. He reiterated his points that CHL was not a closed book lender. He also said that CHL should pay him compensation because it took five months to respond to his complaint.

I issued a provisional decision. While I did not propose to uphold the main part of the complaint, I thought CHL needed to do more to settle the complaint. My provisional findings, which form part of this decision, were:

Term extension

Whether CHL is a closed book lender isn't really relevant to this complaint. What it is saying is that it no longer lends to new residential customers. I am satisfied that is correct. The fact it lends to buy-to-let customers does not make any difference to that.

But CHL is still regulated by the FCA. It has permission to enter into a regulated mortgage as a lender but not new home financing. And it is obliged to follow the FCA's rules – including where borrowers wish to make changes to their mortgage and treating borrowers fairly when they are experiencing financial difficulty.

I challenged CHL on its position. It did not change its mind. But it did supply some further reasoning to support its decision.

Mr L is not in financial difficulty in the sense that he can't afford the monthly payments. So I agree with CHL that extending the term of the mortgage would not help him with that and

would not be in his best interests. That is because he has an interest only mortgage, so extending the term would not reduce his payments – it would simply mean he would pay interest for longer. I agree that would not be in his best interests.

Mr L said the main reason he needs to extend his term is that he needs more time to save up the money to repay the mortgage. That might be a legitimate reason for CHL to extend Mr L's term as a form of forbearance. I don't think it would be fair for it to decline any such request without properly considering the borrower's individual circumstances.

However, CHL has told us that in June 2024 Mr L applied to draw down £40,000 from his mortgage and that as part of that application he confirmed that he was "on track to repay his mortgage at the end of the term." It follows that I could not reasonably uphold this complaint. On one hand Mr F is telling us that he won't be able to repay his mortgage at the end of the term and on the other is telling CHL that he will – and is increasing his indebtedness.

In the circumstances, I don't consider CHL acted unfairly in declining Mr L's request.

I note what Mr L has said about the information on CHL's website. But it is not a guarantee that CHL would agree to a term extension. The website says it "may" be able to offer a term extension after considering individual circumstances. As I've said, CHL should consider a term extension as a form of forbearance where appropriate. If Mr L's circumstances have changed again and he is no longer on track to repay his mortgage at the end of term then he should discuss that with CHL.

Final response

In June 2023, when Mr L requested the term extension, he said that CHL should treat it as a complaint if it declined the application. While it replied to the request it did not treat it as a complaint. That meant Mr L had to write another letter of complaint in August 2023. Mr L sent it by recorded delivery to CHL and has evidence it was delivered. But CHL did not issue its final response until January 2024 after Mr L had referred his complaint to us.

Mr L has had the inconvenience of writing an additional letter of complaint. He also had to take the extra step of contacting us in December 2023 and then waiting for CHL to issue a final response in late January 2024. There will also be a degree of upset and stress in that Mr L had a reasonable expectation that CHL would deal with his complaint in a timely way.

So there has been additional inconvenience caused to Mr L. I accept there was a degree of distress. Looking at our guidelines, a small monetary award of less than £100 is fair for a one-off incident or a short delay. But this was not a one-off – there were two errors and that led to a delay of around five months. In saying that, there were no real consequences because of the delay – the delay did not affect the outcome of the complaint and the response was received in plenty of time before the term of the mortgage would end. But I accept it has caused Mr L avoidable distress and inconvenience. I consider £200 would be a fair amount to reflect what happened.

I do not agree that the example Mr L provided from our website is particularly relevant here. The impact on the customer was different than what Mr L experienced even though the length of the delay was shorter. In any event, it is for me to decide what I consider to be fair in the individual circumstances of this complaint.

CHL responded to say that it had already paid Mr L £50. Mr L did not respond.

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 the absence of any substantive responses, I see no reason to reach a different decision than I did in my provisional decision.

CHL should pay Mr L a total of £200 – so if it has already paid him £50, then it can reduce the amount it pays him by that amount.

My final decision

My final decision is that Capital Home Loans should pay Mr L £150 to settle this complaint – on top of the £50 it has already paid.

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

Ken Rose
Ombudsman