

## **The complaint**

Mr M complains that UCB Home Loans Corporation Ltd has not fairly considered his request to extend the term on his mortgages.

## **What happened**

Mr M has two mortgages with UCB on two different properties. He initially took a mortgage on each property in 2003, and then additional borrowing on both in 2006, and again in 2007. One property has a buy-to-let (BTL) mortgage, and the other was initially a residential mortgage but Mr M has confirmed it is now let out. The mortgages are both made up of interest-only elements, and part interest-only and part capital and interest repayment. The mortgage terms are due to expire in 2027 and 2028.

In May 2024 Mr M requested to extend the term of the mortgages by around another twelve years when he can access his pension. Mr M said the value of both properties is now significantly less than the capital balance due at the end of the mortgage terms. He thinks the value of the properties will likely increase due to inflation over an extended term, and he will be able to repay any shortfall by withdrawing a lump sum from his pension.

UCB said it was unable to extend the term on a BTL mortgage, as it no longer offers this type of mortgage. It said Mr M may be able to apply to change to a capital and interest repayment mortgage and then extend the term on a residential mortgage. But it wasn't clear to UCB if Mr M was living in the property with a residential mortgage. Mr M was unhappy with UCB's response. He complained to UCB about its lending practices and about the valuation of the properties at the time of the lending.

UCB responded to Mr M's complaint. It confirmed that it doesn't offer term extensions on BTL mortgages, but that Mr M could apply to its parent company, which is a separately authorised lender. But UCB said it's unlikely this would be approved as the loan-to-value of the property would need to be less than 80%, which isn't the case for Mr M. So, it said Mr M would need to repay a lump sum into the mortgage for this to be an option. It said further options may be available to Mr M when the terms are closer to expiring, but he will need to confirm whether one of the properties is residential. It said the valuers were fully qualified and it was entitled to trust their judgement on the value of the properties.

Mr M didn't accept this. He said it wasn't reasonable for UCB to decline his term extension request to ensure the mortgage balances are repaid in full. He said it wasn't reasonable to not offer alternatives apart from further options available at a later unspecified date. Mr M referred the complaint to our Service where one of our Investigators looked into the complaint.

Our Investigator thought the complaint shouldn't be upheld. He said UCB was entitled to decide to not operate in a particular type of market, and it no longer offered BTL mortgages. He said UCB had acted in line with its lending policy, and it wasn't unfair to decline the term extensions.

Mr M didn't agree. He said that one of the mortgages was residential so was a regulated

mortgage contract and subject to Mortgage Conduct of Business (MCOB) rules. And he said he didn't have a contract for the other mortgage, but at the time of taking it out, he also understood it to be regulated and subject to MCOB rules. He said UCB have not acted in line with MCOB rules by declining his request. Mr M said UCB has only offered an option that isn't possible in his circumstances and hasn't tried to find a viable alternative.

As Mr M didn't agree with our Investigator, the complaint has been passed to me to consider and make 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'm sorry to hear of the difficult situation Mr M is in with his properties being in negative equity. But I can't agree that UCB has treated him unfairly.

The mortgage terms are due to end in 2027 and 2028, and UCB is entitled to expect repayment in full of the outstanding capital balance at that point. It was reasonable for Mr M to ask about a term extension on his mortgages when his original repayment vehicle, selling the properties, is now unlikely to repay the capital balance in full. But there was no guarantee this would be agreed by UCB.

UCB closed to new business in 2008. It no longer offers new BTL or interest-only mortgages to its customers. I've reviewed UCB's lending policy for term extensions. It says it won't agree term extensions for properties that are let, or where the account is interest-only or part interest-only and part repayment.

Mr M has confirmed both his properties are currently let. So, I'm satisfied that UCB has acted in line with its policy by not agreeing to extend the terms. And that is a business decision UCB is entitled to make.

Mr M has said that he may move back into one of the properties in the near future. UCB has said that there may be an option to extend the term for a residential mortgage on a capital and interest repayment basis. Again, this is in line with its lending policy to not extend the term on interest-only mortgages. UCB said a change of repayment terms would be subject to checks to make sure the payments would be affordable to Mr M. Capital and interest repayments would be higher than interest-only repayments, even if the term was extended. So, I agree it would be fair for UCB to assess whether Mr M could afford the higher payments if he switched repayment terms. But I think it is fair for UCB to offer the option to Mr M if he meets these criteria in the future. Mr M can engage with UCB about this if or when he is residing in the property.

But currently, as both properties are let, UCB has not acted unfairly by declining to extend the mortgage terms as that is its lending policy. UCB has said Mr M can apply to remortgage with its parent company, but as his properties have a loan-to-value of more than 80% it wouldn't be acceptable. I can appreciate how frustrating this situation is for Mr M, who feels he's not being offered any viable options. But UCB has always operated as a standalone business and is authorised by the FCA in its own right. Therefore any new mortgage would be subject to a new application and lending criteria of the new lender. I can't say UCB has acted unreasonably by making Mr M aware it's unlikely he'd be approved for a remortgage when he doesn't meet these criteria.

Mr M has said UCB hasn't followed the mortgage regulation rules set out in the FCA's handbook under MCOB, as it isn't acting in his best interests. The mortgages on both

properties were taken out before mortgages were regulated, and BTL mortgages aren't a regulated contract. But I've still considered whether I think UCB have treated Mr M fairly bearing in mind the expectations under MCOB. And I think it has. There is no obligation for UCB to offer Mr M a term extension on a product it no longer offers. There is still some time before the terms end on Mr M's mortgages, and it could be that his situation changes. UCB has let Mr M know what options are available to him currently, and it can evaluate this again closer to the end of the mortgage terms if Mr M's situation has not improved.

I'm sorry to disappoint Mr M as I appreciate this is a stressful situation for him. I'd encourage Mr M to consider taking independent financial advice about what options might be available. While I don't know if other lenders offer products suitable for Mr M, or if he would meet the relevant lending criteria, he would be able to explore this further with an independent financial adviser.

### **My final decision**

My decision is that I do not uphold this complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 6 January 2025.

A handwritten signature in black ink, appearing to read 'E. Taskas', with a stylized flourish at the end.

Emma Taskas  
**Ombudsman**