

## **The complaint**

Mr R and Miss D complain that Leeds Building Society didn't warn them how difficult and expensive it would be to change their Buy To Let mortgage back to a residential mortgage, after they'd spent some time renting out their former home.

## **What happened**

Mr R and Miss D held a residential mortgage with Leeds. In 2016, they moved out of the property, and obtained Leeds' agreement to let the property out. This permission was originally given until the end of their existing fixed interest rate deal, on 31 August 2018.

When this permission ended, Mr R and Miss D said they had no choice but to change their existing mortgage into a BTL mortgage. They did that, and took out a two year fixed interest rate deal. That deal ended in 2020, and Mr R and Miss D then took out a further BTL fixed interest rate deal until 2022. In 2022, when that deal expired, they took out a five-year fixed rate, running until 31 October 2027.

Mr R and Miss D now want to sell this property, and port their mortgage to a new property, which they do intend to live in. But Leeds says they can't do that, because it won't allow a BTL mortgage to be ported into a residential mortgage.

Mr R and Miss D told us Leeds didn't warn them how difficult it would be to change this mortgage back into a residential mortgage. They didn't think it was fair for Leeds to say they would have to pay almost £16,000 if they wanted to sell this property, when their lending would stay with Leeds, and increase to allow them to buy a new home. They wanted Leeds to waive this fee.

Leeds didn't think it had done anything wrong. It said it had initially agreed to Mr R and Miss D letting out their property on a short term basis. But it had been clear from the outset that this permission wouldn't be renewed after 2018. If they wanted to keep renting out their property then, and wanted to stay with Leeds, they needed to take out a BTL mortgage. Leeds also said it told Mr R and Miss D in 2018 that it couldn't advise them on this.

Leeds said Mr R and Miss D had reduced their mortgage balance in 2018, and taken out a BTL mortgage fixed interest rate deal. They took out another BTL mortgage deal in 2020, and again in 2022, when they chose a five year fixed rate.

Leeds said that again, it didn't advise Mr R and Miss D on what deal to take out in 2022. And it said its offer in 2022 made clear that the deal was subject to an ERC if it was redeemed before 31 October 2027. The offer also said specifically that it wasn't possible to port this BTL mortgage to a residential property.

Leeds said that if Mr R and Miss D did want to come out of their current deal now, they would have to pay the ERC. Leeds wouldn't waive that.

Our investigator didn't think this complaint should be upheld. She said Leeds had provided documentation showing its initial consent to let was a short term arrangement, and Mr R and

Miss D would need to change the mortgage to a BTL product if they wanted to keep renting out the property after this. She said she could see that when Mr R and Miss D had made the change to a BTL mortgage in 2018, they had signed to say that they understood Leeds wasn't giving them advice on their new mortgage. So she said she wouldn't expect Leeds to have told Mr R and Miss D then about the implications for converting the mortgage back to residential at that point.

Our investigator said she'd also checked the mortgage offer Leeds made in September 2022, and that explained an ERC will apply to the mortgage until 31 October 2027, including if they just wanted to change the mortgage product. That offer also said "*you cannot port a residential loan to a buy to let property (or vice-versa)*". So our investigator didn't think Leeds had been unfair by refusing to port Mr R and Miss D's existing BTL mortgage to a property they intended to live in. She said she wouldn't ask Leeds to waive the ERC.

Mr R and Miss D disagreed, they said that their only option in 2018 was to sign the BTL agreement. They felt Leeds should have told them then that they couldn't switch back to a residential mortgage. But our investigator didn't change her mind. She said Mr R and Miss D did have a choice in 2018, either to move back into the property or to convert it to a BTL. They chose to do the latter, and their most recent deal had explained it came with an ERC. Our investigator said Leeds was only required to provide factual information to enable Mr R and Miss D to choose a BTL product, and it had done that. It didn't have to advise them on the suitability of the product they were choosing.

Because no agreement was reached, this case came to me 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've reached the same overall conclusion on this complaint as our investigator.

Mr R and Miss D decided in 2016 to let out their property, for reasons I don't need to set out here. In 2018, they weren't ready to move back into it, and they changed the mortgage type then to a BTL mortgage, fixed for two years.

I don't think it's unreasonable for Leeds to have said to Mr R and Miss D that if they still wanted to rent out their property, more than two years after they'd first started to do that, then it would like them to change their mortgage type to reflect how the property was actually being used.

I don't agree that Mr R and Miss D had no other options in 2018. If they were unhappy with what Leeds was offering, they could have remortgaged with a different lender. Or they could alternatively have sold the property, if they weren't ready to move back into it. They chose then to keep hold of the property, and also to stay with Leeds, which meant they did have to put their lending on a different basis. I've explained I don't think that was an unreasonable position for Leeds to take.

I also don't agree that Mr R and Miss D were misadvised by Leeds at the time. I think Leeds was clear that it wasn't offering Mr R and Miss D mortgage advice on the choice they were making.

But in the end, it's not the choice that Mr R and Miss D made in 2018 that is causing them difficulty now. It's the choice they made in 2022, to take out a five-year fixed interest rate deal, on their mortgage. It's the contents of that offer, which mean that they cannot now port

their existing BTL mortgage to a property they intend to live in, and they cannot exit that mortgage without paying an ERC.

I appreciate that Mr R and Miss D may not have anticipated in 2022 that they would want to sell this property and use the equity they'd built up in it to buy somewhere else to live. But I don't think that is Leeds' fault. And I do think the constraints they are facing now, are things that Leeds set out in writing for them, when they took out this offer in 2022. I'm sorry to have to tell Mr R and Miss D that I don't think Leeds has been unfair or unreasonable here. I appreciate that Mr R and Miss D will be disappointed, but I don't think this complaint should be upheld.

### **My final decision**

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D and Mr R to accept or reject my decision before 30 December 2024.

Esther Absalom-Gough  
**Ombudsman**