

The complaint

Mrs X has complained about her mortgage she holds with Pepper (UK) Limited trading as Engage Credit. Her interest only mortgage term is coming to an end and she wanted to extend the term, on either an interest only or repayment basis, but Engage didn't agree to her request.

What happened

The details of this complaint were set out in my decision about our jurisdiction, so I won't repeat them again here. Instead, I'll focus on giving my reasons for my 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.

Mrs X's mortgage is on interest only terms. The term is due to end later this year, at which point repayment of the capital is due. Unfortunately, Mrs X hasn't got the means to repay the outstanding mortgage unless she sells the property, which is her home. She's said she wants to be able to stay in her home, and in our complaint form she said she wanted an extension for at least ten years.

Mrs X agreed to repay her mortgage in June 2025, and as a starting point it's reasonable to expect her to do so. I don't think it's reasonable to ask Engage to extend the term for ten years or more, as Mrs X suggested in the complaint form she completed for our service. The mortgage has been in arrears for the entire term, and over the last few years Mrs X's payments haven't been enough to meet her interest only payment that is due each month, with the arrears situation worsening.

If the mortgage term was extended and moved onto a capital repayment basis then Mrs X's payments would increase which, as she currently isn't paying a lower amount in full and on time every month, doesn't seem to be an affordable and sustainable option.

If the term was extended on an interest only basis it seems more likely than not that Mrs X will be in the same situation again in the future, with Mrs X's only way to repay the mortgage being selling her home, which she has been clear throughout isn't something she wants to do. And in the meantime she would still need to make the full interest only payment due each month, plus also find a way to clear the substantial arrears balance, which as I've said above isn't a payment she's currently demonstrating that she can maintain.

A term extension would mean Mrs X needing to make those payments for a longer time and given the history of the account I'm not persuaded continuing the mortgage for any additional length of time would be in her best interests. There's a very real risk that she wouldn't be able to keep up with the mortgage – and then would be left in a worse position than she's in now, having paid more interest in the meantime.

In her response to our Investigator Mrs X said she also asked Engage to consider an

extension for just a couple of years so she can sell up. As our Investigator explained, there's nothing to indicate that was something Mrs X asked Engage to consider, but even if she had her property isn't on the market and from her submissions it doesn't seem to be something Mrs X really wants to do. The risk of Engage allowing a couple more years for Mrs X to sell is that at the end of that period the property still hasn't been put on the market and so nothing has moved forward. And in any event, I wouldn't expect a lender to extend the term of a mortgage, even just for a few years, when there is such a substantial arrears balance outstanding.

I've a great deal of sympathy for the situation Mrs X is in. It is clear she doesn't want to sell her home and I can understand that. But I can't order Engage to extend the term whether that be for a few years, or longer, when the plan after that time would still be for Mrs X to sell her home and Mrs X hasn't demonstrated that she will be able to afford to maintain the payments in full and on time every month.

Mrs X has said that Engage has stopped her from getting another mortgage due to telling her not to pay for six months and now she can't get a mortgage due to her credit file showing her mortgage as in arrears in the last 12 months. This is a new complaint point so Mrs X will need to raise it with Engage before we're able to consider it. However I would say that even if Mrs X had made payments in those six months at the level she was paying immediately before, then I think it is likely her mortgage account would still have been reported as in arrears for those months. That's because, at that time, Mrs X was already around nine months in arrears, so the account would likely have been reported in exactly the same way on Mrs X's credit file. That said, I've not dealt with that point as part of this complaint as it needs to be raised with Engage first as I've explained above; I simply provide that explanation as it may help Mrs X's understanding.

I would encourage Mrs X to contact Engage to discuss her plans for repaying this mortgage. And if Mrs X can demonstrate that a plan has been commenced and is being actively progressed, I'd expect Engage to show forbearance and give Mrs X more time for her plans to complete if that proved necessary.

Whilst I've a great deal of sympathy for the position Mrs X is in, I can't uphold this complaint as I'm satisfied Engage's decision to not extend the mortgage term wasn't unreasonable, and the decision was fairly reached.

My final decision

I don't uphold this complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs X to accept or reject my decision before 17 February 2025.

Julia Meadows
Ombudsman