

The complaint

Mr and Mrs K's complaint is about the administration of their mortgage account by OneSavings Bank plc trading as Kent Reliance Property Loans (and referred to here as KRPL).

Following a decision dated 29 January 2025 explaining which parts of the complaint I can consider, this final decision is about the following matters:

- the interest rate charged by KRPL from 1 November 2022;
- that KRPL has not offered Mr and Mrs K a mortgage term extension.

What happened

I don't need to set out the full background to the complaint. This is because the history of the matter is set out in the correspondence between the parties and our service, so there is no need for me to repeat the details here. In addition, our decisions are published, so it's important I don't include any information that might lead to Mr and Mrs K being identified. So for these reasons, I will instead concentrate on giving a brief summary of the complaint, followed by the reasons for my decision.

In 2006, after taking advice from their own independent financial adviser, Mr and Mrs K took out a mortgage. The mortgage offer shows they borrowed £252,000 plus fees of £405 on an interest-only basis over a term of 25 years, repaying their existing mortgage of about £155,000 and borrowing about another £100,000 for debt consolidation and home improvements. The mortgage was on an initial discounted variable rate, following which it would revert to a rate of 2.54% above the London Inter Bank Offered Rate (LIBOR).

Interest rate changes were applied on a quarterly basis, using LIBOR. However, in December 2021 LIBOR ceased to be published, and, in accordance with the Financial Conduct Authority's (FCA) requirements KRPL chose to calculate interest against the Three Month Sterling Overnight Index Average (SONIA) plus 0.1193% (in addition to which the 2.54% contractual margin would also apply).

In 2022 Mr and Mrs K complained about the interest rate applied to the mortgage. In a final response letter dated 31 October 2022 KRPL explained how SONIA was being applied to the mortgage. Mr and Mrs K didn't contact us within the six-month time limit given in that letter.

In April 2023 Mr and Mrs K contacted KRPL because they were having difficulty meeting their mortgage repayments. During a call in May 2023 Mr and Mrs K asked about a term extension. A term extension pack was sent to them, but wasn't completed or returned.

In June 2023 KRPL discussed a concessionary interest rate, but this was declined, because the income and expenditure (I&E) form completed by Mr and Mrs K showed a surplus each month. However, it took three weeks for KRPL to let Mr and Mrs K know about this. After further discussions in August and September 2023, a concessionary rate was applied to the account.

Mr and Mrs K complained about poor service, and about the interest rate. KRPL said it thought the interest rate complaint was out of time. In relation to the customer service issues, KRPL had already offered compensation of £250, but agreed to increase this to £400. KRPL confirmed that Mr and Mrs K hadn't returned the forms to enable it to consider whether a term extension would be appropriate.

An Investigator explained that the complaint about the interest rate was out of time, and we could only look at this after 1 November 2022. In my decision dated 29 January 2025 I confirmed this to be the case.

Our Investigator explained that KRPL can't offer Mr and Mrs K a new mortgage, as it is not a lender. He thought KRPL had acted fairly in reducing the interest rate temporarily as a forbearance measure, but that this didn't mean KRPL had to offer a new product on a permanent basis when this wouldn't be available to any of its customers.

The Investigator also wasn't persuaded that KRPL had declined a term extension, because the paperwork sent to Mr and Mrs K in May and September 2023 had never been returned. Therefore KRPL had never been given the opportunity to consider a term extension.

Overall, the Investigator thought the £400 compensation offered by KRPL for the delay in dealing with Mr and Mrs K's requests for assistance was fair.

Mr and Mrs K disagreed and asked for an Ombudsman to review the complaint. They say that *"The fact [KRPL is] willing to throw another payment at the issue seems to me that they are able to do more things regarding the interest rate change... Would be a good thing if they were able to help people like us in getting a new mortgage deal..."*

Mr and Mrs K also say that the current Bank of England Base Rate (BOEBR) is 4.75%, but their mortgage rate is 6.49%, and that the profit KRPL has made is not acceptable.

Because the matter is unresolved, it falls to me to issue 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.

First, I confirm that the decision I reached on 29 January 2025 about which parts of the complaint we are able to consider remains unchanged. This final decision is limited to consideration of the interest rate applied after 1 November 2022, and that KRPL declined a term extension.

Interest rate: Mr and Mrs K's mortgage is not linked to BOEBR. When the FCA announced that LIBOR was to be withdrawn, it required lenders who operated LIBOR-linked mortgages to replace the LIBOR element with an alternative, in this case, SONIA. I'm satisfied the switch from LIBOR to SONIA was in accordance with FCA guidance. The change was also in line with what other lenders with LIBOR-linked mortgages have done. Therefore KRPL is not an outlier in calculating the interest on the mortgage in line with SONIA.

Since the autumn of 2022 interest rates globally have increased significantly. This isn't just limited to Mr and Mrs K's mortgage, KRPL or even just the UK mortgage market. It doesn't follow, therefore, that if LIBOR had remained as the reference rate after 2021 Mr and Mrs

K's payments wouldn't have increased as they did under SONIA. I'm therefore not persuaded that the change to the reference rate has unfairly benefitted KRPL, or that the change from LIBOR to SONIA is the reason for increases in Mr and Mrs K's mortgage payments.

Mr and Mrs K say the concessionary interest rate of 6.49% that they were on was too high. The mortgage has now reverted to the variable rate of SONIA + 0.0193% + 2.54%, which (based on the latest SONIA three-monthly rate) I understand is likely to be around 7.29% or thereabouts. However, the Standard Variable Rate (SVR) for most high street lenders is actually higher than this (for example, at today's date, Barclays 8.24%, Halifax 8.24%, Nationwide 7.49%, Santander 8.00%). In the circumstances, I'm not persuaded the interest rate for this mortgage is excessive or an outlier by comparison.

KRPL doesn't offer new interest rate products or mortgage lending to any customers, and so it's unable to do anything other than provide short-term forbearance to customers in financial difficulty. KRPL has already done this for Mr and Mrs K. To secure a new mortgage interest rate product, Mr and Mrs K will need to speak to a financial adviser. There is no early repayment charge on Mr and Mrs K's existing KRPL mortgage, and so there is no barrier to them arranging a new mortgage with another lender.

In the circumstances, because KRPL isn't able to offer new interest rate products to any customers, I'm unable to find it has treated Mr and Mrs K unfairly in not offering them a new mortgage interest rate product, other than a temporary concessionary rate.

Term extension: The current mortgage term is due to end in 2031, when Mr and Mrs K will be required to repay the outstanding capital balance, currently around £260,000. I see that Mr and Mrs K have been sent two term extension packs by KRPL, but haven't completed or returned them. This means that KRPL hasn't been able to decide whether or not to grant a term extension. I'm satisfied it's reasonable for KRPL to ask for the term extension documents to be completed before it can give consideration to this.

A term extension is a material change to the original mortgage contract. In some circumstances mortgage regulations allow discretion to dispense with an affordability assessment. However, if Mr and Mrs K are asking for the term to be extended beyond retirement age, KRPL is under an obligation to ensure that any extension to the mortgage term into retirement is going to be affordable and sustainable. In addition, KRPL will need to be satisfied that there is a suitable repayment strategy for the capital balance at the end of the mortgage term.

I'm satisfied a term extension can't be granted until an application is made by Mr and Mrs K. Given this, I don't think KRPL has acted unfairly in relation to this part of the complaint.

Customer service: KRPL has acknowledged that it could have been more proactive and responsive when Mr and Mrs K told it they were having financial difficulties. I can see that calls weren't always returned, and there was a delay in offering the concessionary rate that Mr and Mrs K accepted for a 12-month period. I'm satisfied this would have caused worry and upset to Mr and Mrs K.

Putting things right

Initially KRPL offered £250 for poor customer service, but later increased this to £400. Overall, I think this is fair and reasonable in all the circumstances. Our awards of compensation aren't intended to be punitive, and I think £400 is fair in all the circumstances,

taking into considering that Mr and Mrs K could also have engaged better with KRPL in relation to returning the term extension documents they'd been sent twice by KRPL.

There is no guarantee that KRPL will agree to a term extension, but it can only consider this if Mr and Mrs K apply for it. I think that Mr and Mrs K might find it helpful to speak to an independent financial adviser in order to discuss other mortgage options.

My final decision

My final decision is that OneSavings Bank Plc trading as Kent Reliance Property Loans must pay Mr and Mrs K £400 in settlement of this complaint.

This final decision concludes the Financial Ombudsman Service's review of this complaint. This means that we are unable to consider the complaint any further, nor enter into any discussion about it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs K to accept or reject my decision before 27 February 2025.

Jan O'Leary
Ombudsman