DRN-5252287

Financial Ombudsman Service

The complaint

Mr A complains that The Mortgage Works (UK) Plc ("TMW") first unfairly rejected his request for term extensions on his two Buy To Let mortgages, based on his credit file, then delayed his applications for months, before finally telling him to make large capital repayments.

What happened

Mr A's family member has supported him in this complaint, but this remains Mr A's complaint, so I will refer to him below.

Mr A said he'd been a customer of TMW for many years, up until recently. He had two interest-only Buy To Let ("BTL") mortgages with TMW, account ending 005, and account ending 083. The terms of both finished at the end of February 2024.

Mr A said he'd spent a year trying to extend the terms of these mortgages, and to apply a new interest rate to them. Mr A said he started his application on 8 June 2023, but he felt TMW had sabotaged the process at every turn. Mr A felt this was done because he was on the Standard Variable Rate ("SVR") of 8.49% from July 2023. So he said delaying allowed TMW to greatly increase his monthly payments.

Mr A wanted us to look at whether TMW should have initially refused his applications in July 2023, because of a marker on his credit file, and whether it should then have refused to reconsider those applications until the marker was completely erased from his file.

Mr A wanted us to consider if, when TMW did start to consider his applications in October 2023, it ought to have alerted him right away that the applications were likely to fail on affordability, and not charged him a valuation fee for each property.

Mr A said the valuations were returned on 25 October, and he then spent until 19 January 2024 waiting for offers. On 19 January, Mr A then received a letter (apparently first sent on 1 November 2023) saying he would need to repay almost half of the borrowing on account ending 005, in order to extend the term.

Mr A said he hadn't seen this letter before January, and he pointed out that TMW had been liaising with him about a licence for renting out this property since then, with no mention of this refusal to lend. When Mr A complained, he discovered he was also being asked to repay almost half the lending on the other mortgage too, as a condition of term extension.

Mr A complained at the end of January, following this up with a letter dated 2 February. The required repayments were reduced from a total of £350,000 to £130,000 on 7 March, when TMW agreed to base its affordability tests on the rates Mr A could reasonably expect to secure if he did extend the terms of both mortgages (and the requested repayment was then reduced again on 27 March to under £120,000 when TMW's rates dropped). But TMW still wouldn't lend unless Mr A made these still very substantial repayments.

Mr A said that if he'd been a new customer applying to TMW, then its calculator for mortgage intermediaries suggested it would have been happy to lend him more than his existing mortgages on both the properties. Mr A said TMW just told him it had a different calculator for term extensions, but he said it told him it considers the same factors. And he asked how such a significant difference between new and existing customers could be fair.

Mr A said TMW had offered to refund overpaid interest, but then changed its mind. Now it would only pay £325 in compensation.

TMW said it had declined Mr A's first application because of his credit file. It didn't think that was a mistake. Mr A then reapplied in October, and TMW said it accepted it had caused a delay of around a month in Mr A's applications. It had offered Mr A £325 for that, but he'd declined. TMW said it stood by the decision to decline the term extensions Mr A wanted, unless he made capital repayments on both mortgages.

TMW said it had previously offered to backdate a rate if Mr A's applications were ultimately successful, but it said it would only do this if Mr A made a capital repayment, was successful in his subsequent requests for term extensions, and then secured a lower rate for his two mortgages. And Mr A hadn't done that, he'd redeemed these mortgages to move his lending elsewhere. So TMW didn't think it should have to do more than it had offered here.

Our investigator didn't think this complaint should be upheld. He didn't think Mr A was treated unfairly or differently to other members in his position. TMW had followed its internal lending procedure and criteria, applying it to Mr A as it would any member. So he thought TMW should just pay the sum of £325 which it previously offered.

Mr A replied to disagree. He said he understood TMW can decide rates and apply its lending criteria at its discretion. But he said TMW had conceded it could have told Mr A its decisions by November 2023. Because TMW didn't do that, Mr A was paying the SVR for many more months. And Mr A wanted to stress that TMW's own online calculator said he more than qualified for the lending he wanted. Mr A wanted an ombudsman to consider his complaint, so the case was then passed to me for a final decision. And I then reached my provisional decision on this case.

My provisional decision

I issued a provisional decision on this complaint and explained why I did propose to uphold it. This is what I said then:

> The terms of both Mr A's mortgages with TMW were ending in early 2024. So Mr A wasn't able to apply for new fixed rates for either of these mortgages, when their existing fixed terms ended at the end of June 2023.
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> Mr A told us he made his term extension application for these mortgages on 8 June 2023. I can see that Mr A discussed these mortgages with TMW in early June, and it received two cheques for the valuation fees on 13 June, so I think Mr A did make his new term extension applications then. The applications I have seen were both for extensions of ten years, the maximum period that TMW will extend for.
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> Mr A's two mortgages were due to go onto TMW's SVR at the end of June 2023, so I also think that these applications were made quite late. Even if TMW had acted promptly, Mr A was likely to have spent some time paying TMW's much higher SVR.
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> On 13 July, both of these applications were refused, because of a mark on his credit file that Mr A was unaware of.

TMW hasn't been able to explain why it took until 13 July to respond to Mr A's applications. The issue was visible on a credit file check, and I would expect that check to have been one of the first things TMW did on receipt of Mr A's application. So I think it's likely this response could have been made rather more quickly, and I think TMW caused a delay in considering these applications, at this point.

Mr A then took steps to have the mark removed from his credit file. Although I understand Mr A's view is TMW should have accepted either that this was simply a disagreement, or acted on his reassurance that the (contested) debt had been paid, I don't think it was unreasonable for TMW not to reconsider Mr A's applications until this mark was removed from his credit file.

However, I do think that TMW should have responded more promptly to Mr A's enquiries about when his application could be reconsidered, throughout this time. Mr A was initially seeking to have TMW reconsider, without having to prejudice his position by repaying what was always a contested debt. But because TMW delayed in informing Mr A that it wouldn't do that, I think that delayed Mr A's ultimate decision to pay the contested amount. So I think TMW's delays are likely to have added to the time taken before Mr A's application could be reconsidered.

Mr A reapplied in October, and valuations then appear to have been carried out on both properties. Mr A argued that, because Mr A's applications fell so far short on affordability, TMW should have declined the applications straight away, without incurring a valuation fee for either mortgage. But TMW has told our service it takes the valuation, and estimated rental income, into account in deciding if it can lend. I think that's a reasonable position for TMW to have taken here, so I don't think TMW ought to have turned down Mr A's application right away, as Mr A suggested. I don't think it could take a view on the application before sourcing this information.

TMW has then accepted that it ought to have been in a position to give Mr A an answer to his applications on 1 November 2023. I think that's right. (I'll return below to what I think that answer should have been.)

TMW has told us it sent a decision on one of the two mortgages on 1 November 2023, but Mr A said he didn't receive this. And we know TMW then proceeded to ask further questions about that application. So I thought it would have appeared to Mr A as if both of his applications were still being considered at this point, when in fact TMW had already decided not to go ahead on one of these without a sizeable capital repayment.

I've asked TMW if it can show us any calls, or correspondence, after 1 November 2023 which told Mr A that the application for mortgage ending 005 had been declined, and couldn't go ahead without a very large capital repayment. But it hasn't done that. And TMW doesn't appear to have suggested that it had told Mr A the same was true for the application for mortgage ending 083, until the end of January 2024.

So Mr A continued to seek to satisfy TMW's requests for further information, until on 19 January 2024 he discovered that TMW would not lend to him unless he made capital repayments on one of his two mortgages. On 24 January 2024, Mr A discovered TMW took the same view on both mortgages, and would require repayments totalling about £350,000. This was only a little less than half the total lending Mr A then held from TMW.

Mr A complained about the scale of the capital repayment that TMW was requesting. He said TMW must be basing its stress test on multiples of the SVR which Mr A was then paying, not multiples of the fixed rate that he could secure if the two terms were both extended. TMW agreed to amend the basis of its stress test so that it was based on the 4.69% two-year fixed rate Mr A wanted, and on 7 March 2024 it reduced the requested retention by well over £200,000.

TMW made a further offer, on 8 March, to consider what the repayment would be if Mr A took a five-year fixed rate of 4.29% on each of his mortgages, with a fee of £1,495. But it doesn't appear to have run these figures through its internal affordability calculator. For the avoidance of doubt, I think that TMW should simply have checked whether lending on a five-year fixed rate would be something it would consider affordable for Mr A, and given him that information.

TMW was then able to make further modest reduction when the available interest rate reduced to 4.5%. But Mr A decided to move his lending elsewhere.

TMW initially suggested that it would pay compensation for the delays it had caused, but would also backdate the rates for Mr A's mortgages to November 2023, to take account of the fact that he'd applied several months earlier. It later decided it wouldn't offer Mr A anything towards the additional interest he'd paid, because it said that this was contingent on Mr A making a reduced, but still very substantial, capital repayment, extending the term of both his mortgages with TMW, and then taking a new fixed rate.

In the meantime, Mr A had started remortgage applications elsewhere, on 12 and 13 February 2024. Mr A then decided to accept the offers issued by a different lender on 19 March, and he completed his remortgage away from TMW on 12 April 2024.

Mr A has shown us that his remortgages were both achieved on a rate of 5.29%, fixed for two years. There were product fees of £1,999 on each mortgage. There were also solicitor's fees and disbursements totalling £907, which Mr A has detailed but not yet evidenced. (I ask Mr A to send this evidence to our service along with his response to this provisional decision.)

So we know that TMW took two sets of lending decisions here, on two separate mortgages. And each time it took those lending decisions, it asked for a capital repayment.

Mr A said he didn't understand why TMW was asking for a capital repayment. He said if he put the same figures into TMW's online calculator for intermediaries, which is used to give an indication of whether TMW will lend to new clients, then the result indicated TMW would be happy to lend rather more than the full amounts Mr A had on his existing lending, on both properties.

TMW responded to this by saying its term extension calculation was only available internally. Mr A then said TMW appeared to be using essentially the same factors to reach a decision on term extension as it was using for new clients. And he also couldn't understand why TMW would take a more risk averse approach to lending on a term extension than lending to new clients. After all, Mr A's request for a term extension was backed up by several years of consistent payments, including recently having met the costs of the much higher SVR, for a considerable time.

I don't think TMW has explained to Mr A why the lending decisions it had reached were fair. It is possible TMW just didn't wish to provide further details of its lending decisions to Mr A. But I would expect TMW to be able to show our service that it had reached fair decisions. I have repeatedly posed additional questions to TMW about these lending decisions, and unfortunately, it has proved difficult to get a response.

Our service does now have a partial response to our queries. However, TMW only appears to have considered the lending decisions it reached on one of the two mortgages Mr A held with it, mortgage ending 005. I think it's reasonable to assume the same applies to the other mortgage, and also that this is an inference I am fairly able to draw here. So I will proceed on this basis.

TMW stands by its first decision on mortgage 005, when it requested a very sizeable capital repayment, and says it applied what was then its usual approach to term extensions. TMW has always said the same about mortgage 083.

But TMW now says it made a mistake on its second lending decision for mortgage 005. It says that once it agreed to change the basis of its stress testing to reflect Mr A's clearly expressed intention to take a new fixed interest rate as soon as the extension was agreed, it should have looked at whether the lending would be affordable if the rate was fixed for five years. And if that had been done, TMW said it would simply have approved the extension. So it shouldn't have asked for any capital repayment at all on mortgage ending 005.

I have explained I think it's reasonable to assume the same is true for mortgage ending 083.

Whilst it's not entirely clear from TMW's response what it thinks the outcome of this revised position should be, it appears to me that TMW is now saying Mr A should have been offered (without a repayment requirement) the term extension he had applied for on mortgage 005, and the five-year fixed interest rate of 4.29% then available, on 8 March 2024.

Again, I think it's reasonable to assume the same is true for Mr A's other mortgage.

Mr A did show a clear preference for a fixed rate for two years. But I think if Mr A had been offered a lower interest rate fixed for five years, with the same product fee and, crucially, no requirement for any capital repayment, he would have accepted that offer.

So I then need to think about what that would have meant, here. TMW has already said its decisions could have been communicated to Mr A by 1 November 2023. And it had already offered to backdate any new rate that Mr A took up, to 1 November 2023. That didn't go ahead because the only offers of any extension and new rate that TMW made on these two mortgages were subject to such large repayments. But I think that if TMW had made the offer above, this complaint would have been resolved at the time, by TMW extending the term of these mortgages, paying the £325 in compensation it had offered, and backdating Mr A's new rates to 1 November 2023.

Instead, Mr A moved his lending elsewhere, where he is currently paying a higher rate of 5.29% fixed for two years.

So I think redress in this case now needs to be based on the difference between what Mr A ended up paying from 1 November 2023 onwards, including on his new mortgage deals elsewhere, and what he would have paid if the offer TMW made in March 2024 hadn't been conditional on large capital repayments. That should include both the difference in his monthly payments for the lifetime of the fixed rate deals he has secured elsewhere, and the extra costs of moving his mortgages elsewhere.

That means that TMW should pay Mr A the following –

- the difference between the monthly payments that Mr A was making for mortgages ending 005 and 083 on TMW's SVR, of 8.49% and the monthly payments he would have made for each of those mortgages on the five year fixed rate he could have secured, of 4.29% (assuming a product fee of £1,495 was added to each of those mortgages from 1 November 2023). This difference to be calculated from 1 November 2023 until the date when he redeemed this mortgage. TMW should also pay interest on this refund, at the rate of 8% simple, from the date each payment was made until the date that TMW makes the refund.

- the difference between the monthly payments that Mr A would have made for mortgages ending 005 and 083 on TMW's rate of 4.29% (assuming a product fee of £1,495 had been added to each of those mortgages from 1 November 2023) and the monthly payments on the same lending at Mr A's new rate of 5.29%. This difference to be calculated starting from the date of Mr A's remortgage on 12 April 2024, and ending 24 months from this date.

- £1,018 (which is 2 x product fee of £1,999 charged by his new lender, minus 2 x £1,495 product fee which would have been charged by TMW, plus 1% to cover the Early Repayment Charge Mr A will need to pay his new lender, to redeem this part of both his mortgages), plus interest on this sum at Mr A's new mortgage rate of 5.29%, from 12 April 2024 to one month from date of payment (this is to give Mr A time to pay down his mortgages by that sum and thereby prevent any further interest accruing on it).

- the solicitor's fees and disbursements of £907 Mr A paid to remortgage, plus 8% simple interest from the date that Mr A made this payment, to the date TMW makes the refund.

- the sum of £325 that TMW offered in compensation.

The above compensates Mr A until the end of his existing 24 month fixed rate deals. I have considered that TMW should have offered Mr A extensions and rates fixed for five years. But I don't think it's fair and reasonable in this case to ask TMW to extend its compensation beyond the term of his existing fixed rates. That's partly because I cannot predict what might happen to interest rates in those years, and I have to bear in mind that Mr A may be able to remortgage at a lower rate in 2026. But it's also because Mr A did show a clear preference for a two-year rate.

I note that to receive all of the above, Mr A would need to evidence the costs and disbursements charged by his solicitor for the two remortgages, and he would also need to show the dates he paid the solicitor's invoice. Subject to the provision of that further evidence, I think the above would provide a fair and reasonable outcome to this complaint.

I invited the parties to make any final points, if they wanted, before issuing my final decision. Both sides replied.

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.

Mr A's representative replied to say Mr A was pleased and relieved to receive my provisional decision. He also said Mr A's solicitor's fees were higher than Mr A had previously remembered. Mr A's representative sent our service solicitor's invoices for fees totalling £2,203.80 for the two properties, as well as evidence that these were paid on 10 April 2025.

TMW replied asking for more time to consider the provisional decision. In granting this extension of time, I also notified TMW that I was planning to include the revised amount of Mr A's remortgage solicitor's costs in my final decision, and sent TMW the evidence of these that Mr A had supplied. I explained that, having heard Mr A's concerns about the existing delay to any final resolution to the complaint, I would not be minded to provide any further extension in this case.

TMW has now replied to my provisional decision, and set out what it would agree to pay. This was largely in line with my provisional decision, although it's not clear if TMW was agreeing to cover interest on the additional product fees added to Mr A's mortgage, and TMW appears to have based its response on the previous amount of Mr A's legal fees.

TMW wanted our service to let Mr A know about its revised offer. It listed additional evidence it said Mr A would need to send it, if he wanted to accept. This included the evidence which was sent to TMW some time ago. TMW said it would also need copies of the new lender's mortgage offers and first payment notices, before it could honour this offer.

Before I look at the queries that TMW raised, I'd like to make the general point that I think there has been some misunderstanding here, about the stage in our service's process which has been reached. TMW is not now making any offer, rather it was asked to respond to my provisional decision. The next step is for me to consider that response, here, and then finalise my decision.

Whilst our service is, broadly speaking, happy to forward to TMW the evidence which has been considered as part of reaching my final decision, any award I make here is not conditional on TMW receiving and agreeing that evidence. If Mr A accepts my final decision below, the decision is then binding on TMW.

I'll now look at each of the queries TMW raised.

TMW said it wanted to know if Mr A would be repaying the sum of £1,018 I'd asked it to pay in respect of mortgage fees, across the two mortgage accounts. And if so, TMW wanted to agree a date for this to be repaid. It said it would also need confirmation that an Early Repayment Charge ("ERC") was incurred.

I don't propose to ask Mr A to provide further information here. That's because I think it's for him to decide whether he prefers to apply these funds to his mortgages now, or to use that money elsewhere and continue to carry the additional monthly burden of the higher fees which have already been added to his mortgages. And I've seen confirmation that Mr A will pay an ERC if he does pay this money to his mortgages. That ERC is a straightforward amount of 2% in the first year, and 1% in the second. Given the likely timing of the payment, I think asking TMW to add 1% to its payment in respect of fees is reasonable here.

TMW said it would also agree to pay the solicitor's fees and disbursements relating directly to the remortgage, plus 8% simple interest from the date that Mr A made this payment, to the date of refund. But TMW appears to have based this on the previous figure for solicitor's costs, because although it acknowledged that Mr A had provided evidence of revised legal fees, TMW said it hadn't considered the new costs at this time. TMW asked me to let it know if I wanted it to consider these fees now, and it would review this further.

Our service sent this additional evidence to TMW on 12 December 2024, and I said then I was minded to add these costs to the final award. It does appear that this further evidence was safely received by TMW, because it was also attached to TMW's secure reply to our service. I then confirmed on 30 December that I was not planning on issuing a second provisional decision, and after the later deadline had passed, I would issue a final decision without further extension of time. So it's not clear why TMW hasn't considered Mr A's revised solicitor's costs before providing a response to our service.

I don't think it would be fair and reasonable to both sides for me now to delay the resolution of this case yet further, to ask TMW again for a response on that point. I remain of the view set out in December, that these solicitor's costs ought to form part of the final award to Mr A, and I have provided for that below.

Other than the amendment for solicitor's costs, which TMW was alerted to well before its response above was received, I haven't changed my mind. So I'll now make that decision.

My final decision

My final decision is that The Mortgage Works (UK) Plc must pay Mr A –

- the difference between the monthly payments that Mr A was making for mortgages ending 005 and 083 on The Mortgage Works (UK) Plc's SVR, of 8.49% and the monthly payments he would have made for each of those mortgages on The Mortgage Works (UK) Plc's five year fixed rate of 4.29% (assuming a product fee of £1,495 was added to each of those mortgages from 1 November 2023). This difference to be calculated from 1 November 2023 until the date when he redeemed this mortgage. The Mortgage Works (UK) Plc should also pay interest on this refund, at the rate of 8% simple, from the date each payment was made until the date that The Mortgage Works (UK) Plc makes the refund.

- the difference between the monthly payments that Mr A would have made for mortgages ending 005 and 083 on The Mortgage Works (UK) Plc's rate of 4.29% (assuming a product fee of £1,495 had been added to each of those mortgages from 1 November 2023) and the monthly payments on the same lending at Mr A's new rate of 5.29%. This difference to be calculated starting from the date of Mr A's remortgage on 12 April 2024, and ending 24 months from this date.

- £1,018, plus interest on this sum at Mr A's new mortgage rate of 5.29%, from 12 April 2024 to one month from date of payment.

- the solicitor's fees and disbursements of £2,203.80 that Mr A paid to remortgage, plus 8% simple interest from 10 April 2025, the date that Mr A made this payment, to the date The Mortgage Works (UK) Plc makes the refund.

- the sum of £325 that The Mortgage Works (UK) Plc offered in compensation.

Parts of the above award require the payment of 8% simple interest. HM Revenue and Customs requires The Mortgage Works (UK) Plc to take off tax from this interest. The Mortgage Works (UK) Plc must give Mr A a certificate showing how much tax it's taken off if he asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 13 February 2025.
Esther Absalom-Gough
Ombudsman