

## **The complaint**

Mr and Mrs I complain that SG Kleinwort Hambros Bank Limited has treated them unfairly during periods of financial difficulty.

## **What happened**

Mr and Mrs I have an interest only mortgage with SG Kleinwort that is due to end in July 2025. Interest is charged daily and applied to the mortgage on the last working day of March, June, September and December each year. The mortgage payments are due the same day. The mortgage was taken out on a variable interest rate that tracks the SG Kleinwort Hambros Bank Limited base rate.

In February 2023 Mr I told SG Kleinwort that he was going to need to take some time out of work following a medical procedure. He asked if the mortgage could be increased by £30,000. SG Kleinwort declined Mr I's request but said it could consider a payment holiday for two quarters and asked him to send some information about his income and expenditure. Mr I sent some financial information back at the time, but SG Kleinwort asked for more information.

In July 2023 SG Kleinwort wrote to Mr I to tell him that his quarterly interest payment of £19,648.29 was now due. Mr I queried that as he said he thought he had a payment holiday in place. SG Kleinwort said the arrangement had not been agreed. Mr I said he had not set aside funds for the payment.

In August 2023 SG Kleinwort wrote to Mr and Mrs I to tell them the account was in arrears of £5,648.29 and asked them to contact it to discuss how they would be repaid.

In October 2023 Mr I told SG Kleinwort that he had started his pre-operation medical programme and requested the payment holiday was now put in place. He said he would continue to pay £5,000 per month until February 2024 when he would resume the full payments. SG Kleinwort asked Mr I how he planned to clear the arrears once he returned to work after the operation. Mr I said that their plan was still to re-mortgage or sell the property in July 2025 and was under the impression the arrears that accrue during the payment holiday could be repaid with the mortgage debt. SG Kleinwort said that wasn't acceptable.

Mr and Mrs I put their house on the market in April 2024. The same month SG Kleinwort wrote to Mr I to tell him that the mortgage would be defaulted if the arrears of £14,205.62 weren't cleared by 24 April 2024. It also said the full amount of interest which will be applied to the mortgage on 23 April 2024 would need to be paid by 19 July 2024. It told Mr I that if the mortgage goes into default, it would reserve the right to apply interest at a default rate of 7% plus the base rate.

Mr and Mrs I complained. They felt SG Kleinwort had failed to provide appropriate forbearance during the covid 19 lockdown when Mr I was unable to work, and more recently when he asked for help as a result of a medical procedure he needed, which would leave him unable to work for a period.

SG Kleinwort didn't uphold the complaint. It said that Mr and Mrs I had not contacted it about their financial circumstances or requests for support during the covid 19 lockdown, and all payments had been made. It said the bank had engaged with Mr I since it received his initial request for forbearance required due to a medical procedure in 2023. It had asked for information about his circumstances which hadn't been received. It said Mr I had told it in 2024 that the missed payments were a result of high interest rates as he still hadn't had the operation.

SG Kleinwort also said Mr I's proposal to pay £5,000 per month was not approved due to the arrears that would accumulate which would put the loan in default. It also said that despite not receiving the full interest payments each month it hadn't yet applied the default interest of 7% over the KH base rate but reserved the right to.

SG Kleinwort said it had considered the fact that Mr I was vulnerable, and that the mortgaged property was now on the market for sale. But it couldn't allow the mortgage to continue to deteriorate without a definitive end date or plan to address the arrears. As Mr I had not provided the information it had requested it wasn't in a position to understand his and Mrs I's overall circumstances.

Mr and Mrs I brought their complaint to our service. One of our Investigators looked into things, and explained that whilst she empathised with Mr and Mrs I's circumstances, she didn't think SG Kleinwort had treated them unfairly.

Mr and Mrs I said they hadn't appreciated that the documentation they'd provided about their finances had not been sufficient for SG Kleinwort to assess their situation. They said that both Mr and Mrs I's health situations had deteriorated since they initially requested support. Mr I's health concerns had limited his earning capacity, and Mrs I had been under private medical care which had also impacted the family finances. They asked for the complaint to be passed to an Ombudsman.

### **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 about the difficulties Mr and Mrs I have faced in recent years. I understand Mr I has now had his operation and I hope he is recovering well.

Whilst Mr and Mrs I initially complained about the lack of support they received during the covid lockdown period, it doesn't appear to be something they remain unhappy about. I think Mr and Mrs I have raised it as context for their current situation, as I understand they had to utilise a significant amount of their savings whilst Mr I was unable to work, which has left them with less available funds to help them with their more recent challenges. SG Kleinwort has said that Mr and Mrs I never asked it for any help or support during the covid period and all payments were maintained.

However, in February 2023 Mr I did reach out to SG Kleinwort for support with the mortgage. He initially told it that he would need additional funds as a result of a medical procedure he needed to have. Both to cover the costs of the procedure itself, and as a result of him having to take time off work during the recovery period. I don't think it was unreasonable that SG Kleinwort offered to consider a potential short term forbearance option here. I also think it was reasonable that it wanted to get an up-to-date overview of Mr and Mrs I's circumstances before it could agree to an arrangement. I understand Mr and Mrs I missed SG Kleinwort's request for further information and had misunderstood that the arrangement had been agreed. Whilst I think the adviser at SG Kleinwort that Mr I had been emailing could have

been clearer about the next steps, he hadn't confirmed to Mr I that anything had been agreed, and more information had been requested and not provided.

Some payments were made late, but the account was brought up to date by October 2023, when Mr I asked for support again. I understand that Mr and Mrs I's health had deteriorated at this point, but the reasons that Mr I had requested the support had been unclear. He had referenced the cost of the operation, the time off work needed for recovery, the fact he had been unable to earn as much before the operation, and also rising interest rates were impacting the affordability of the payments too. SG Kleinwort asked Mr I for his plan as to how the arrears would be repaid once the payment holiday had ended (if agreed) and there wasn't a clear plan put forward other than sale of property or re-mortgage at the end of the term. Essentially, Mr I was asking for any arrears to be capitalised, which SG Kleinwort refused to do.

Given what SG Kleinwort had been told at the time, I'm not persuaded it was unreasonable for it to have concerns about the longer-term affordability of this mortgage for Mr and Mrs I and wanting to understand more about Mr and Mrs I's plans for after Mr I's procedure had taken place. Mr I had told it he could pay £5,000 per month towards the mortgage, but that was before the procedure had taken place so it was unclear whether it was actually the time needed out of work to recover from the procedure, or there were wider financial issues that were affecting the affordability of the mortgage. Whilst agreeing to capitalise the arrears that accrue would have resulted in Mr and Mrs I not having to worry about repaying that amount until the mortgage ended, it still would have increased the quarterly payments that fell due, and based on what Mr and Mrs I had told SG Kleinwort, I think it had reason to question whether they would be able to pay more than they were already struggling to pay.

Whilst no arrangements were ever formally agreed as SG Kleinwort felt it didn't have sufficient information to determine what was best for Mr and Mrs I in the circumstances – Mr and Mrs I paid what they could afford to the mortgage each month, which was around £5,000. At the time this complaint had been made, SG Kleinwort had not defaulted the mortgage, or applied additional default interest. And was engaging with Mr and Mrs I about the sale of their property and a plan to clear the arrears. It's not in Mr and Mrs I's interests for the position of the mortgage to continue operating in arrears indefinitely. So I think it was reasonable that SG Kleinwort wanted a plan in place for them to be addressed. But Mr and Mrs I have put their house on the market, and I understand there's no dispute that the house sale will clear the mortgage in full as well as any arrears that remain outstanding at that point.

It's important that Mr and Mrs I continue to keep SG Kleinwort updated about their financial circumstances and the progress of the marketing of their property. It's in their interests to continue paying as much as they can afford to the mortgage each month. Whilst SG Kleinwort hasn't yet taken any further steps to recover the arrears or charge additional default interest, before it decides its next steps I would like to take this opportunity to remind it of its duty to treat borrowers fairly and reasonably taking into account their individual circumstances, particularly where the borrowers are vulnerable as Mr and Mrs I currently are.

But having considered SG Kleinwort's actions that led to this complaint being made, overall I'm not persuaded it has treated Mr and Mrs I unfairly, and I'm not upholding this complaint.

### **My final decision**

Considering everything, for the reasons I've explained, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I and Mrs I to

accept or reject my decision before 3 March 2025.

Kathryn Billings  
**Ombudsman**