

The complaint

Mr E and Mrs B complain that Legal & General Home Finance Limited didn't agree for them to port their lifetime mortgage to the property of their choice.

What happened

In 2020 Mr E and Mrs B took a lifetime mortgage with Legal & General Home Finance Limited ("L&G"). The mortgage was recommended to them by a broker.

In October 2024 Mr E enquired about porting their existing lifetime mortgage with L&G to a new property. Mr E told L&G that the property was only available to purchasers above the age of 55.

L&G said that it wouldn't agree to port the mortgage to this property because the property didn't meet its lending criteria. L&G said that it doesn't lend on age restricted properties.

L&G explained that should Mr E and Mrs B wish to continue with the purchase of this particular property, they would need to redeem their lifetime mortgage and refinance through a different lender. They were advised to speak to a financial advisor to discuss other potential refinancing options. The redemption process was discussed, and an estimated early repayment charge figure was provided.

Unhappy with this, Mr E and Mrs B complained to L&G. Their complaint wasn't upheld. L&G's position remained that it would not agree to port the mortgage to the chosen property because it didn't meet lending criteria. It also said that it was under no obligation to share its lending policy with customers upfront.

Mr E and Mrs B remained unhappy so they brought their complaint to the Financial Ombudsman Service. An investigator looked into things. He didn't think that L&G had unfairly refused to agree the porting application, so the complaint wasn't upheld. Mr E and Mrs B didn't agree so they asked for their case to be decided by 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.

Lifetime mortgages are intended to be long-term products which are meant to run for the lifetime of the borrower(s). Mr E and Mrs B's lifetime mortgage is set up so that they make the monthly interest payments, but the capital amount borrowed is repaid from the sale of the property either upon death (or the death of the last borrower) or when the last borrower has left the home to move permanently into a care home or to be cared for by relatives.

The terms and conditions of Mr E and Mrs B's mortgage allow for them to port their mortgage to a new property. But that property must meet L&G's lending criteria.

This is set out in the mortgage offer that was sent to Mr E and Mrs B on 10 February 2020 as follows:

"Moving home

If you move home you can transfer this lifetime mortgage to a new property that is acceptable to us and meets our lending criteria at the time, but you must tell us in advance. If you choose to repay the amount owed in full at this time you may have to pay an Early Repayment Charge as described in Section 13."

Mr E and Mrs B have provided our service with the estate agent's particulars of sale that show the property they were looking to purchase is located in a development consisting of 17 properties specifically for persons over the age of 55.

L&G has provided our service with a copy of its lending policy in relation to unacceptable properties. One of those being age restricted properties.

Having considered the available information I'm satisfied that L&G made it clear to Mr E and Mrs B at the time they took the mortgage that any porting application would be considered subject to criteria. So, there was no guarantee that a porting application would be automatically agreed.

As Mr E and Mrs B's chosen property was only available to purchasers over the age of 55, this is considered an age restricted property and so outside of L&G's lending criteria. For that reason, I don't think L&G acted unfairly when it told Mr E and Mrs B that it would not agree to port their mortgage to this particular property.

I must explain here that L&G is entitled to set its own lending criteria. Decisions that L&G makes in respect of what those criteria are, its attitude to risk, whether it should lend and, if so, on what terms, are clearly discretionary matters for L&G's own commercial judgement that I would not interfere with.

L&G has explained that the reason why it doesn't lend on properties restricted to people of a certain age is because such restrictions may potentially make the property harder to sell in the future. It's not unusual for lenders not to accept properties that have restrictions on ownership for this reason. I say this because the lender will want to ensure that the property is suitable security, easily resalable should it need to take possession. This is even more pertinent to lifetime mortgage providers like L&G, who are often expecting repayment of the capital (and in some cases the compounded interest too) through the sale of the property. So, it's not unreasonable that L&G would choose not to lend on a property where a sale is restricted to a particular category of purchaser – those over the age of 55 – as this limits its potential audience and can slow down the sales process.

Mr E and Mrs B are unhappy that they were not made aware of L&G's lending criteria when taking their mortgage. A lender's appetite for risk will change over time based on changes to the financial and property markets. This means lending criteria will also change overtime. I'm not persuaded that L&G was under any obligation to notify Mr E and Mrs B – or indeed any other customer – individually about its lending criteria. I say this because, lending criteria is ever changing and so what applies at the time a customer takes their mortgage may and will likely vary over time. However, upon enquiry a lender would reasonably explain the relevant lending criteria to the customer at the earliest opportunity – which is what happened here.

I'm pleased to see that L&G informed Mr E about its relevant lending policy during his initial enquiry, so this avoided the need for a full application which would have been unnecessary. That said, I can see that Mr E and Mrs B's query was passed to the underwriter to get a definitive conclusion as to whether L&G would lend on such a property – which was confirmed not to be the case by the underwriter.

So, to conclude, I'm satisfied that L&G hasn't done anything wrong here. The mortgage offer was clear that porting was subject to meeting lending criteria at the time of the application. Mr E and Mrs B were notified upon enquiry that their chosen property didn't meet L&G's lending criteria at the time, and I don't think L&G unfairly refused to port the mortgage to this property given the circumstances.

Having said all that, one of the benefits of Mr E and Mrs B's mortgage is the 'downsizing protection' condition as set out in section six of the offer, which says:

"You will not have to pay an Early Repayment Charge, if at any time after the fifth anniversary of the completion of this lifetime mortgage you move home and ask to transfer your lifetime mortgage to your new property, but that property is not acceptable to us, or you sell your home and move into sheltered accommodation."

L&G has said that Mr E and Mrs B qualify for this benefit from 16 March 2025 onwards. It's unclear whether Mr E and Mrs B still wish to purchase this property or whether they're exploring other options. If this is still a property that they're keen to purchase, they may wish to discuss their options about possibly redeeming the mortgage without an early repayment charge. This would also involve speaking to a financial advisor to explore other possible financing options with a different lender.

I realise this is not the answer Mr E and Mrs B were hoping for. But I hope the reasons I have set out help them to understand why I have come to this conclusion.

My final decision

My final decision is that I don't uphold Mr E and Mrs B's complaint against Legal & General Home Finance Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E and Mrs B to accept or reject my decision before 5 March 2025.

Arazu Eid
Ombudsman