DRN-5314675

The complaint

Mr B complains that Pepper (UK) Limited trading as Engage Credit treated him unfairly when he asked for help with his buy-to-let mortgage.

What happened

In 2019, Mr B took out a buy-to-let mortgage with Pepper Money, which was a trading name of Pepper (UK). Engage Credit – another trading name of Pepper (UK) – has responded to the complaint and I will refer to it for ease throughout this decision.

The mortgage had a fixed interest rate for five years followed by a variable rate. When the fixed rate ended, Mr B asked Engage Credit for help. He said he told Engage Credit that the property was vacant, he could not afford the increased payments on the variable rate and that he needed six months to repair the property as the last tenant had damaged it. Mr B said that Engage Credit initially refused to help, but it then agreed to accept a reduced payment for three months with a view to looking at things again after three months.

Mr B said that when the three months were up Engage Credit refused to extend the reduced payment arrangement any further. He said that it did not fairly assess whether the increased payments were affordable and included his husband's income in its calculations even though he is not responsible for the mortgage. As a result, Mr B said he had to default on unsecured borrowing to maintain the increased payments to Engage Credit.

Mr B thinks that Engage Credit hasn't treated him fairly. So he's out of pocket by making payments that were higher than they should have been and has had sleepless nights and anxiety because of the threat of repossession. He said his family relations had suffered as held had to borrow money from them to help.

The investigator did not think the complaint should be upheld.

Mr B did not accept what the investigator said. He responded to make a number of points, including:

- It wasn't clear if the investigator had listened to the recording of the phone calls he had with Engage Credit in March and April 2024.

- The investigator had said he can't share Engage Credit's policy – but there was no reason why he couldn't if it supported that it would only offer a concession for three months.

- Our role was to decide what was fair, not merely to check that a business had followed its policy.

- He was told that his request to extend the concession for a further three months was declined because he could afford the higher payment due to rental income. Then when the rental income dropped because he'd lost a tenant he was told the higher payment was affordable because of his husband's income.

- He was told that a concession for six months would not be agreed but three months would and that he could always go back to Engage Credit and apply again when the three months was up. But that wasn't correct as Engage Credit would never agree a further extension – so it had given him false hope.

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.

Buy-to-let mortgages are unregulated. Engage Credit was not required to give borrowers the same level of support they would on a residential mortgage. The purpose of the mortgage was for Mr B to run an investment property as a business. There was a reasonable expectation that such a borrower would budget for repairs, unpaid rents, void periods or a combination of all those things.

I've listened to recordings of the phone calls with Mr B that Engage Credit has supplied. Mr B spoke to Engage Credit on 11 January 2024. He confirmed that he expected the repair work to take between nine and twelve weeks – and there might be another four weeks until the property was let. And that he planned to refinance as soon as the work was completed and the fixed rate ended in March 2024. Engage Credit agreed a reduced interest rate for March, April and May 2024.

I consider that Engage Credit treated Mr B fairly by agreeing the concession it did. It effectively gave him arround four months to get the property repaired. That was reasonable in the circumstances even if it initially declined the request for help.

I can't see any evidence that Engage Credit promised Mr B that it would approve a concession for a total of six months. It merely said that it would consider an extension at the time, for example if there was a delay in refinancing – but that was always a decision for Engage Credit to make depending on the circumstances. I can't see that anything it said could reasonably be interpreted as a guarantee it would agree the reduced rate for a further period.

When Mr B spoke to Engage Credit in April 2024, he asked for the arrangement to be extended by another three months as the property would not be ready by the time the reduced interest rate ended. Engage Credit said it would need evidence that the work would take another three months. Mr B sent that information to Engage Credit. Engage Credit said that it referred Mr B's request to its senior management three times, but it was declined.

Engage Credit's policy is that it will offer interest rate reduction in "exceptional cases" as a "short-term" measure with a review after three months. I can't see that it was obliged to agree to Mr B's proposal for the reduction to carry on for a further six months. In my experience, I don't consider Engage Credit was out of line with other buy-to-let lenders in rejecting his request.

While I note all of the points that Mr B has made about the difficult position he was in, I consider that Engage Credit has treated him fairly. It agreed the initial concession for three months in view of his circumstances and reviewed things after three months. I can see why a lender might have valid concerns about extending such a concession where the initial work had not been completed as expected. I don't consider that whether the increased interest rate was affordable or not would mean that Engage Credit was not entitled to put in place the variable rate that Mr B agreed when he took out the mortgage, bearing in mind it had offered significant forbearance by giving Mr B the reduced interest rate for three months already.

I was sorry to hear of the difficult time that Mr B went through. Of course, if he fell into arrears Engage Credit would have been required to review his circumstances. But I understand Mr B was able to meet the increased payments, albeit with some difficulty. And it is not unreasonable for a lender to look for a borrower to prioritise secured debts.

Overall, I don't consider Engage Credit has treated Mr B unfairly. It gave him appropriate forbearance when he asked for help. But in the circumstances, I can't see any compelling reasons why it would have been required to extend that any further.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 13 March 2025.

Ken Rose
Ombudsman