

## **The complaint**

Ms O has complained that Bank of Scotland plc (BOS) will not extend the term of her interest-only mortgage to allow her to continue living in the property, and that it will not offer her a new fixed rate until the existing term ends. Her previous fixed rate has now ended, and Ms O cannot afford the new monthly repayment. She is unable to get a lifetime mortgage and is concerned that BOS wants to repossess the property.

## **What happened**

Ms O took out an interest-only mortgage with BOS in 2007 over a 13-year term. This was on a fixed rate for two years and then changed to BOS's standard variable rate (SVR) thereafter.

Ms O had originally intended to sell her home to repay the mortgage at the end of the term, but her circumstances changed and she no longer wished to do so when the term ended in July 2020.

In 2019, Ms O complained to BOS about the interest rate and term of the mortgage. She had asked BOS for a term extension, saying that she planned to use the equity in the property to pay off the mortgage if she eventually decided to move or to take out a lifetime mortgage to repay BOS. She said that she would be better placed to do this at the end of an extended term as there would be more equity. She was also unhappy that she had been on the SVR since 2009.

At that time, BOS paid Ms O £600 for its poor service; backdated the account so that she benefited from the most favourable fixed rate which would have been available to her as if it had been applied in January 2016, (resulting in a payment of just over £11,000); and offered a five-year term extension at a fixed rate for the first four years, backdated to August 2020 (expiring in October 2024), with all but £11,000 of the mortgage balance paid on an interest-only basis. Ms O was not happy with this and referred her complaint to this Service. An Ombudsman considered the complaint in December 2021; they decided that BOS's actions were fair and did not require it to do any more to resolve the complaint.

Ms O would now like another term extension and a new rate, or alternatively she would like a lifetime mortgage. She says that she is unable to afford the mortgage since the fixed rate ended in October 2024, as the repayments have risen from £428 to £1,345. Ms O contacted BOS again in 2023 to ask if it was possible to look at another fixed rate prior to her existing fixed rate ending in October 2024. She says that she was told to call back in June 2024, which she did, but was then told that the remaining term was too short to look at another fixed rate.

Ms O says that she has now looked into the possibility of getting a lifetime mortgage, however the valuations she has received mean that the equity she would be able to release would be insufficient to redeem the BOS mortgage. She says that she is unable to move as her health will not allow this and she would not have enough money to move elsewhere in the local area where her support network is based. Ms O is unhappy that BOS will not help her and is threatening to repossess the property.

I have previously issued a jurisdiction decision setting out that this Service is unable to look into the parts of Ms O's complaint relating to BOS not offering a term extension or a new

fixed rate in 2023, as these were not referred to us in time. Therefore, this decision will only relate to the parts of Ms O's complaint regarding the mortgage being unaffordable for her now the fixed rate has ended and not being able to get a lifetime mortgage.

BOS says that it has reviewed Ms O's case, and it is unable to extend the term any further to accommodate a new fixed rate. It agreed a five-year term extension in 2020 to allow Ms O time to make provisions for repaying the mortgage by October 2025. BOS says that there are no other options it can provide for Ms O so she would need to make the decision of what to do to ensure the loan is repaid on time. It suggested that Ms O considers selling the property or re-mortgaging elsewhere to release equity. Although BOS noted that Ms O says that these are not viable, it doesn't agree that it made any errors or that it should take responsibility for current economic issues in the UK. It encouraged her to see a financial adviser to look into her options to repay the mortgage.

Our Investigator looked at the case and thought that BOS had treated Ms O fairly, so didn't ask it to do anything further. She was satisfied that BOS had explored forbearance options with Ms O, but these did not solve the issue in the longer term. Whilst the Investigator empathised with Ms O's situation, she was of the view that BOS was within its rights to require the mortgage to be paid off at the end of the term and thought it was reasonable that BOS would not extend the term any further.

Ms O disagrees with this, so the case has come to me to make a decision. She says that she has tried to make arrangements to repay the mortgage but is unable to find any means to do so through no fault of her own and she is unable to move from her home. Ms O says that she has been a perfect customer throughout the last 17 years and has paid her mortgage on time, so feels that there should be no reason why she should not be able to get another mortgage.

### **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.

Having looked at the evidence, I agree with the Investigator's view for broadly the same reasons, and I've explained my reasons further below.

Ms O has explained that from November 2024, her monthly repayments have increased from around £428 to £1,435, as her fixed rate ended on 31 October 2024. Ms O says that this is unaffordable for her and is concerned about having to sell her property and move out. She says that she would be able to pay a reduced amount of £600 a month.

Where a customer is – or is expecting to be – in financial difficulties, I would expect a lender to treat them fairly, discussing their circumstances with them and trying to get the mortgage back on track.

Although Ms O says that she would be able to pay a reduced amount, BOS has said that this would not help Ms O in the long run. In the circumstances, I agree that – if Ms O were to remain on the SVR – agreeing a reduced monthly payment would not assist Ms O in the long term, as this would mean that her mortgage would go into arrears and her credit file would be affected, putting her in a worse position. As there is no prospect of Ms O's income increasing over time, I don't think this would be a suitable option to get the mortgage back on track.

The majority of the mortgage is already on an interest-only basis. Therefore, I don't think that putting the remaining part which is on a repayment basis would make a sufficient difference to the overall repayment to make this affordable for Ms O.

Ms O appears to acknowledge this and says that BOS could look at the interest rate on her mortgage instead in order to reduce the monthly repayments. However, BOS has said that there are no new products suitable for Ms O as there is insufficient time left on the mortgage term. I wouldn't expect BOS to create a bespoke product just for Ms O, so I can't say that it has treated her unfairly here in not being able to offer her a new fixed rate.

BOS says that it is unable to extend the mortgage term to accommodate a new fixed rate, based on the income and expenditure assessments it has completed.

Ms O says that she has been a perfect customer and paid her mortgage on time over the years and says that "It is not as if I owe them any money". She therefore feels that there should be no reason why BOS could not extend the term.

I have to disagree with Ms O's assessment that she doesn't owe BOS any money. BOS lent Ms O the capital balance to purchase her property in 2007 and she agreed to pay the interest on this and then to pay it back at the end of the term. So, whilst Ms O has made her monthly repayments on time in respect of the interest (along with a small part of the balance), she still owes BOS the remaining balance. And BOS is entitled to require Ms O to pay the mortgage back at the end of the agreed term.

I note that BOS has already extended the term by five years to give Ms O further time to assess her options in relation to repaying the balance at the end of the term. Ms O says that she has not been able to make any arrangements to repay the balance during this time due to the current financial climate. In light of this, it is my view that any further term extension would not solve the issue of how the mortgage will ultimately be repaid; it would simply postpone the problem and push the repayment of the capital further down the line, meaning that Ms O would have to deal with it at a later time. Therefore, I don't think BOS has acted unreasonably in not offering a further term extension.

Whilst Ms O has said that BOS would get its money back if she were to pass away, she agreed with BOS to take an interest-only mortgage with a specific term, and BOS is entitled to be repaid after that term. I understand that Ms O wants a lifetime mortgage, but this is not what was agreed with BOS at the outset. And it is not a product offered by BOS.

BOS does not offer lifetime mortgages, but I can see that it has referred Ms O to an affiliate company which does. I understand that Ms O is unhappy with what she has been offered elsewhere in terms of the valuation for releasing equity from the property. But I can't hold BOS responsible for this.

I can appreciate why Ms O doesn't want to move out of her home and that this would be extremely difficult for her, but this does not mean that BOS is obliged to keep extending the term indefinitely.

Unfortunately, for the reasons set out above, I am satisfied that there is nothing further that BOS can do to help Ms O in the circumstances. If the mortgage is unaffordable for her then, once all avenues have been exhausted by BOS, it could start legal action. Ultimately, it is Ms O's responsibility to ensure that the mortgage with BOS is repaid on time if there are no options available to her. It will therefore be for Ms O to seek her own financial advice about how best to repay the mortgage at the end of the term.

I know my decision will come as a disappointment to Ms O, but I can't say that BOS has acted unreasonably in the circumstances of this case, and I don't uphold this complaint.

### **My final decision**

For the reasons I've explained above, I don't uphold this complaint and don't require Bank of Scotland plc to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms O to accept or reject my decision before 17 March 2025.

Rachel Ellis  
**Ombudsman**