

## **The complaint**

Mr and Mrs S complain about Topaz Finance Limited trading as Heliodor Mortgages:

- They were mis-sold additional secured borrowing.
- The mortgage was temporarily switched to interest only in 2008 but it was never switched back to repayment.
- The interest rate on the mortgage has not been administered fairly and the 0.25% discount has not always been applied.
- They are unhappy the mortgage was sold to Heliodor.

## **What happened**

In 2006, Mr and Mrs S took out a mortgage with Northern Rock. They borrowed £172,715 plus £250 in fees over a term of 25 years on a repayment basis. The mortgage had a five-year fixed rate of 4.89%, then it reverted to the standard variable rate (SVR) for three years, followed by a variable loyalty discount rate, which was the SVR with a discount of at least 0.25%. The offer said if payments weren't up to date then the SVR would apply.

In 2007, Mr and Mrs S took out a secured loan with Northern Rock for £10,000 plus £349 in fees over a term of 24 years. The loan was on the SVR for its term.

In 2008, Northern Rock agreed to switch the mortgage and loan to interest only for six months as Mr S was out of work.

Northern Rock was nationalised in following the financial crisis in 2007/8. In 2016, Northern Rock (Asset Management) took responsibility for the loan mortgage – but it couldn't offer new interest rate products. In 2019, the mortgage was transferred to Topaz Finance trading as Heliodor. For ease I will refer to Heliodor throughout this decision as it has accepted it is the respondent to this complaint.

Mr and Mrs S complain the secured loan was mis-sold. They said they were "enticed" to take out the additional loan by Northern Rock on the basis that house prices were rising. They consider they should not have been eligible for the loan as it would be unaffordable for them if interest rates went up, and house prices could go down.

Mr and Mrs S said that the mortgage and loan were not switched back to repayment after six months. They said they have been unable to switch back to repayment because the mortgage has been sold on as an interest only mortgage to closed book lenders.

Mr and Mrs S also complain that the SVR has not been applied fairly to their mortgage and loan. They said that it has not followed the Bank of England base rate (the base rate) and, the SVR fluctuated between two and five percent above the base rate for no clear reason. They said many people benefited from very low interest rates, but they have been stuck on SVR that is 4.29% above the base rate. It has caused them financial difficulty.

Mr and Mrs S said there was a period of time where the 0.25% discount was not applied to their mortgage.

I issued a jurisdiction where I found because of the time limits in our rules we are unable to consider the complaints about the sale of the loan or the failure to switch the mortgage and loan back to repayment. We can only consider the complaints about the interest rate from 19

October 2023. And we can consider the complaint about the sale of the mortgage and loan to Heliodor.

The investigator did not think the complaint about the interest rate or the sale of the loan to Heliodor should be upheld.

Mr and Mrs S did not accept what the investigator said. They responded to make a number of points, including:

- They have been left as “collateral damage” from the financial crisis in 2008 and labelled as having a bad credit history. Their situation has been exploited by a corrupt but legal financial business that has caused them to suffer in poverty for 17 years.
- Originally there was a requirement that the mortgage book could only be sold to a lender with a lending licence. But that requirement was removed, and the book was sold to a company that does not have one. That meant they were unable to switch mortgages, trapping them on an interest only mortgage where the lender can raise the SVR when it likes.
- They didn’t meet the criteria to move to another lender as the lending rules were more stringent than they were – but the products they were told they couldn’t afford were cheaper than they were paying.
- Heliodor is a subsidiary of Topaz and other companies that have lending licences.
- The SVR is not reducing in line with every drop in the base rate. Heliodor is charging 4% more than the base rate – it is exploiting them and ruining their lives.

### **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 impact of this matter on Mr and Mrs S. I understand their strength of feeling and I can see why they feel that the situation they are in is unfair. But for the reasons I explained in my jurisdiction decision, we can’t consider most of the points they have complained about.

On the parts we can consider, I must decide what is fair and reasonable in the circumstances of this complaint – and I must take into account the relevant law, rules and regulations, amongst other things. Having done so, I agree with the outcome reached by the investigator. I will explain why.

#### Interest rate since 19 October 2023

I’m looking at the period from 19 October 2023 until 28 July 2024 when Mr and Mrs S referred the complaint to us. The interest rate has been 8.49% on the mortgage and 8.74% on the loan throughout that time. There were no changes to the SVR during the period in question. So I can’t see that Heliodor has administered the interest rate unfairly during the limited period I can look at.

The evidence I have supports that the discount was applied to the SVR on the mortgage during the period I can consider.

I note everything Mr and Mrs S have said about the interest rate applied by Heliodor. The

current rate reflects increases in interest rates more generally since 2022. But it also reflects the starting point for the interest rate (which I can't consider) was higher for a number of reasons, including the previous lender's circumstances, the quality of its loan book and the wider financial environment following the financial crisis.

I can't see that the lender ever said the SVR would only always be 2% above the base rate. And any increases to that margin took place during the period that I can't look at. But as I explained above the lender's cost of funding went up following the financial crisis for reasons that were not linked to the base rate. Overall, I don't consider Heliodor has administered the SVR or the discounted rate unfairly during the period I am looking at.

#### Sale of mortgage to Heliodor

The conditions of the mortgage that Mr and Mrs S agreed to allowed the mortgage to be transferred to another lender without Mr and Mrs S's consent. I can't see that there was any regulatory or legal requirement for any new lender to agree to consider changes to the mortgage, such as a new product.

I would add that when Mr and Mrs S took out the mortgage the lender only agreed to offer a fixed rate for five years, followed by the SVR and then the discounted rate. There was no contractual obligation, or legal or regulatory requirement to offer them a new interest rate product or to agree to changes to the mortgage. So I can't say that Heliodor has acted unfairly by not doing so.

#### **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 S and Mrs S to accept or reject my decision before 27 March 2025.

Ken Rose  
**Ombudsman**