

The complaint

Mr S complains that his mortgage lender, Coventry Building Society, hasn't treated him fairly by refusing to allow him to continue paying his mortgage on interest only terms.

What happened

Mr S has a mortgage with Coventry. He borrowed £165,000 on interest only terms, over 20 years, in 2005. In 2008, the mortgage was changed to repayment and the term extended to 25 years.

Mr S has made extensive submissions about his complaint, alongside supporting evidence. Coventry has also provided detailed evidence. I've considered everything very carefully. I'll set out a brief summary of the relevant facts and the parties' submissions below. But I want to reassure both parties that I've fully considered everything they have said – though in the interests of brevity and anonymisation I haven't set everything out in full, that merely reflects the nature of a published ombudsman's decision.

Mr S is self-employed, with variable income. The mortgage has been in and out of arrears for much of its life. In January 2023, Mr S asked Coventry to convert the mortgage back to interest only for 12 months. Because the mortgage was in arrears, Coventry asked Mr S to complete an income and expenditure assessment.

Coventry says that the income and expenditure assessment showed that the mortgage was affordable on repayment terms, so it declined the request for a temporary switch to interest only. Coventry says that Mr S then provided a new income and expenditure form with reduced income. Following further discussions, it agreed to switch the mortgage to interest only, initially for three months.

Coventry says the mortgage reverted back to repayment in May 2024. As the mortgage was still in arrears, Coventry asked Mr S for updated income and expenditure information. Mr S said he had no income. Coventry said that it couldn't offer a further interest only concession.

Mr S does not agree that this was fair. He says that Coventry agreed in June 2023 to put his mortgage on interest only terms indefinitely, pending an "impact assessment". As no impact assessment has been carried out, it should remain on interest only terms. He also said that Coventry had not included a condition that there be no arrears when it agreed to the arrangement.

Mr S brought his complaint to us. He said that Coventry had not offered any other options despite recognising the mortgage was unaffordable on repayment terms. Coventry has known that his income is variable all along, which has led to periods of arrears which Mr S has then been able to clear. Coventry has always accepted this. Mr S is continuing to pay his mortgage, but at the agreed interest only amount.

Our investigator didn't think the complaint should be upheld, so Mr S asked for it to be reviewed by an ombudsman. He said:

- Coventry had not agreed a temporary switch to interest only. In an email dated 30 June 2023, it had agreed to an indefinite period on interest only pending an impact assessment of the government's mortgage charter and its impact on Mr S. No such assessment has happened.
- At no point had Coventry ever said to Mr S that it had agreed an interest only arrangement limited to twelve months.
- On 5 March 2024, CBS wrote to Mr S to tell him his mortgage would be reverting to repayment. The letter includes various lies – such as saying that Mr S had called Coventry to discuss his arrears when he had not. He has insisted that all discussions are in writing and has engaged with Coventry by email. The letter said that the interest only period would not be extended without giving reasons.
- In its final response in September 2024, Coventry had said:
 - The Mortgage Charter permits customers who are up to date with their mortgage payments to switch to interest only for six months. Mr S says that this is not what the Charter says – there is no requirement to be up to date with payments, and no time limitation on the interest only period. This means that Coventry either does not understand the Charter, or is deliberately misrepresenting it. The purpose of the Charter is to support borrowers through the cost of living crisis, which is still ongoing.
 - That Mr S has been reluctant to discuss his circumstances with Coventry. Mr S says this is not true – he has provided income and expenditure information on two occasions, and has explained the difficulties with his income and the costs of recovering what he is owed.
 - That Mr S had said he planned to sell the property and have the mortgage on interest only in the meantime, but this couldn't be agreed because plans might change or a sale might be delayed. Mr S said this didn't reflect earlier discussions with Coventry where it had no such concerns. There is substantial equity in the property and therefore no risk that Coventry will not be repaid. Mr S has made it clear that he intends to sell before he turns 65 in late 2027.
 - It had allowed Mr S a period on interest only, but arrears still accrued, so the only other option would be interest only under the Mortgage Charter – which would require the account to be up to date. Mr S said that ever since 2005 Coventry had accepted that he was in arrears from time to time but always cleared the arrears, and Coventry had never taken any action against him. It has therefore waived any breaches of the mortgage terms. Mr S said that when Coventry agreed to the initial three month period on interest only, there was no condition that there not be arrears. Mr S has never been offered a discussion with a "Mortgage Charter specialist". The Mortgage Charter does not require such discussion, and does not impose any other conditions on switching to interest only.
 - It had repeatedly tried to contact Mr S to discuss his circumstances without success. Mr S said this wasn't true. He had had extensive discussions with Coventry. Any discussion about the long term consequences of switching to interest only is irrelevant because of his intention to sell the property by the end of 2027. Any suggestion that Mr S had failed or refused to engage with Coventry is false.

- It is not fair and reasonable to allow Coventry to escape its commitment to allow Mr S to continue on interest only until such time as there had been an impact assessment.
- It is not fair and reasonable to allow Coventry to have ended the interest only arrangement in March 2024 in breach of that commitment. In any event, Mr S was not given reasonable notice that it was ending.
- It is not fair and reasonable to allow Coventry to misrepresent the Mortgage Charter or its obligations under it. The Mortgage Charter is the correct regulatory standard in this case, it imposes legal obligations on Coventry, and MCOB is not relevant and should not be referred to.
- It would be fair and reasonable to allow the interest only period to continue because:
 - It would only be needed for another two and a half years.
 - Mr S has shown he can maintain the payments on interest only. He is currently doing so with family support. He has recovered £56,000 of outstanding fees but requires that sum to deal with his tax liabilities. He is owed further fees which he is seeking to recover.
 - He has always cleared arrears in the past and Coventry has never taken action in relation to arrears. The mortgage is only regarded as being in arrears now because Coventry terminated the interest only arrangement.
 - Accepting interest only will not prejudice Coventry.
 - The full balance will be repaid when the property is sold.
 - Mr S is a longstanding Coventry customer.
 - Coventry has said it has no concerns about the saleability or value of the property or the level of equity.
 - There is an ongoing cost of living crisis.
 - Coventry has recently increased its interest rates and may do so again in the future.

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.

In deciding what's fair and reasonable in all the circumstances, I take into account – as our rules require – relevant law and regulations; relevant regulators' rules guidance and standards; relevant codes of practice; and, where appropriate, which I consider to have been good industry practice at the relevant time.

The regulatory rules applicable to this complaint

This is a residential mortgage, taken out after 31 October 2004, and as such it's a regulated mortgage contract subject to the rules of mortgage regulation.

The rules of mortgage regulation are set by the regulator, the Financial Conduct Authority

(FCA), and appear in the MCOB section of its handbook. MCOB stands for the Mortgages and Home Finance: Conduct of Business Sourcebook. The rules are supplemented by various pieces of guidance published by the FCA from time to time.

Mr S says that MCOB isn't relevant to this complaint, and the relevant regulatory standard is the Mortgage Charter. I'm afraid he isn't right about that. All regulated mortgage contracts are governed by the rules and guidance in MCOB, available here - <https://www.handbook.fca.org.uk/handbook/MCOB/>.

The Mortgage Charter isn't a regulatory document. It's a voluntary agreement, entered into between the government, the FCA, and most mortgage lenders (including Coventry). The text of the Charter can be found here - <https://www.gov.uk/government/publications/mortgage-charter/mortgage-charter>.

The purpose of the Mortgage Charter was to set out agreed additional support that lenders could provide to customers experiencing financial difficulties as a result of cost of living pressures and rising interest rates. Following the agreement to the Charter, the FCA made various changes to MCOB to facilitate some of the options set out in the Charter. But the Charter itself is not a regulatory document, does not replace or supersede MCOB, and does not have the force of law. It sets out additional measures, beyond those required by MCOB, that lenders voluntarily agreed to take to support borrowers.

The relevant part of MCOB dealing with customers experiencing difficulty in making their mortgage payments is MCOB 13.

At the relevant time, MCOB 13.3.2A R said:

A firm must, when dealing with any customer in payment difficulties:

- (1) make reasonable efforts to reach an agreement with a customer over the method of repaying any payment shortfall or sale shortfall, in the case of the former having regard to the desirability of agreeing with the customer an alternative to taking possession of the property;
- (2) liaise, if the customer makes arrangements for this, with a third party source of advice regarding the payment shortfall or sale shortfall;
- (3) allow a reasonable time over which the payment shortfall or sale shortfall should be repaid, having particular regard to the need to establish, where feasible, a payment plan which is practical in terms of the circumstances of the customer;
- (4) grant, unless it has good reason not to do so, a customer's request for a change to:
 - (a) the date on which the payment is due (providing it is within the same payment period); or
 - (b) the method by which payment is made;and give the customer a written explanation of its reasons if it refuses the request;
- (5) where no reasonable payment arrangement can be made, allow the customer to remain in possession for a reasonable period to effect a sale; and

(6) not repossess the property unless all other reasonable attempts to resolve the position have failed.

MCOB 13.3.4A R said:

In complying with MCOB 13.3.2AR(6):

(1) a firm must consider whether, given the individual circumstances of the customer, it is appropriate to do one or more of the following in relation to the regulated mortgage contract or home purchase plan with the agreement of the customer:

(a) extend its term; or

(b) change its type; or

(c) defer payment of interest due on the regulated mortgage contract or of sums due under the home purchase plan (including, in either case, on any sale shortfall);

(d) treat the payment shortfall as if it was part of the original amount provided (but a firm must not automatically capitalise a payment shortfall where the impact would be material); or

(e) make use of any Government forbearance initiatives in which the firm chooses to participate;

(2) a firm must give customers adequate information to understand the implications of any proposed arrangement; one approach may be to provide information on the new terms in line with the annual statement provisions.

This was supplemented by the FCA's Tailored Support Guidance¹, in effect from January 2020 until it was replaced by new rules in November 2024. The Guidance says that firms should consider a range of options, and that any arrangement should be sustainable taking into account a customer's individual circumstances. It says (at para 5.21) that arrangements should be reviewed regularly to make sure they are still appropriate to the customer's circumstances.

The FCA introduced further Guidance on supporting borrowers impacted by the rising cost of living in March 2023.² This reminded firms of existing rules, and included the following:

"2.12 When dealing with a customer who is in or at risk of payment shortfall, firms may, where appropriate, vary a contract to accept payment on an interest-only basis for a temporary period without evidence of a clearly understood and credible repayment strategy (MCOB 11.6.43R). A variation is unlikely to be considered appropriate and temporary if, after the temporary period is over, the customer is not obliged to make payments of interest and capital which are designed to repay the mortgage in full over the remaining term.

2.13 If permanently varying a contract to an interest-only mortgage, a firm would need to have evidence of a clearly understood and credible repayment strategy

¹ <https://www.fca.org.uk/publications/finalised-guidance/finalised-guidance-mortgages-and-coronavirus-updated-tailored-support-guidance-firms>

² <https://www.fca.org.uk/publication/finalised-guidance/fg23-2.pdf>, updated April 2024 - <https://www.fca.org.uk/publication/finalised-guidance/fg24-2.pdf>

(MCOB 11.6.41 R).

2.14 A firm would need to demonstrate that in offering a variation under forbearance it is acting fairly and in accordance with a customer's best interests (Principle 6, MCOB 2.5A), and that the change is appropriate to the customer's individual circumstances.

...

2.23 A firm may agree to vary a contract from a repayment mortgage to an interest-only mortgage (permanently or temporarily) if it has evidence that the customer will have in place a clearly understood and credible repayment strategy (MCOB 11.6.41 R).

2.24 A firm will need to undertake an affordability assessment (under MCOB 11.6.2 R) and the cost to the customer of their repayment strategy must form part of this (MCOB 11.6.5 R (2) and 11.6.48 R). This would include situations in which the repayment strategy is for the mortgage to revert to a capital and interest repayment basis after an interest-only period."

The April 2024 edition of the Guidance removed paragraphs 2.23 and 2.24 – the requirement to carry out an affordability assessment was dis-applied with effect from 30 June 2023 in cases where the mortgage was converted to interest only for a six month period under the Mortgage Charter (new rule MCOB 11.6.3 R (3)(a)). And MCOB 11.6.41 R was amended to make clear that an assessment of repayment strategy was required in all cases other than a six month switch in line with the Mortgage Charter (new rule MCOB 11.6.41 R (4)). The effect of this is that the requirements in the rules summarised in paras 2.23 and 2.24 continue to apply, other than in cases of Mortgage Charter six month interest only switches.

What are the provisions of the Mortgage Charter?

The Mortgage Charter includes a number of options that lenders agreed to make available to borrowers facing difficulty with their mortgages.

The Charter says that all lenders will:

"offer tailored support for anyone struggling and deploy highly trained staff to help customers. This could mean extending their term to reduce their payments, offering a switch to interest only payments, but also a range of other options like a temporary payment deferral or part interest-part repayment. The right option will depend on the customer's circumstances."

This reflects the existing position set out in MCOB and the Tailored Support Guidance. It confirms that lenders will consider options including a switch to interest only – but does not disapply or override the provisions I have quoted above.

In addition, the Charter introduced a new option that signatory firms had agreed to make available:

"Signatories to this Charter have agreed:

- From 26th June [2023], a borrower will not be forced to leave their home without their consent unless in exceptional circumstances, in less than a year from their first missed payment.

- With effect from 10th July [2023] customers approaching the end of a fixed rate deal will have the chance to lock in a deal up to six months ahead. They will also be able to manage their new deal and request a better like for like deal with their lender right up until their new term starts, if one is available.
- A new deal between lenders, the FCA and the government permitting customers who are up to date with their payments to:
 - Switch to interest-only payments for six months or
 - extend their mortgage term to reduce their monthly payments and give customers the option to revert to their original term within 6 months by contacting their lender

These options can be taken by customers who are up to date with their payments without a new affordability check or affecting their credit score. Customers who are currently in arrears should continue to work with their lender for the support that they need.”

I don't therefore agree with Mr S that the Mortgage Charter allows, or requires, Coventry to switch Mr S's mortgage to interest only without time limits or regardless of whether the mortgage is in arrears. The new right to request a switch to interest only is only available to borrowers up to date with their payments, and only available for six months. Temporary switches to interest only for borrowers not up to date, or for more than six months, will be considered under normal tailored support and forbearance arrangements, or contractual variation requirements, set out in MCOB and guidance.

The effect of the combined provisions of the Charter, MCOB and the FCA's guidance in respect of switching a repayment mortgage to interest only because of financial difficulties, therefore, is that:

- Where a borrower is currently up to date with their mortgage but concerned about future affordability, they will be able to switch the mortgage to interest only for six months without an affordability assessment, repayment strategy assessment, or credit check. (Consequential changes to MCOB to facilitate this make clear this can only be done once during the life of a mortgage – see MCOB 11.6.3 R (4) (b)).
- Where a borrower is not currently up to date with their mortgage, a lender should consider forbearance and tailored support. This may include a temporary switch to interest only payments, but only where in the interests of the borrower and appropriate to their individual circumstances, where doing so would be affordable both during the arrangement and when the mortgage switches back to repayment, and where the arrangement is kept under review. This is also the route open to a borrower who has already had the six months permitted by the Mortgage Charter. A temporary switch to interest only is not the only option, and all forms of forbearance should be considered. A temporary switch to interest only as a reduced payment arrangement (including treating the unpaid capital as arrears) is available as a form of forbearance. But a contractual variation (so not treating unpaid capital as arrears) is only permitted following an affordability and repayment strategy assessment outside the Mortgage Charter six month provision.
- A permanent switch to interest only can only be done where the borrower passes an affordability assessment and has a credible and clearly understood strategy for repaying the capital at the end of the term.

Was there an agreement that the mortgage be placed on interest only terms for twelve months, or indefinitely?

Mr S asked for a switch to interest only in April 2023. He originally asked for twelve months but said he might need longer. He was in the process of recovering money owed for work done, and he expected to sell the property within the next five years.

Coventry said it could only allow interest only for a defined period, and needed to be satisfied that the mortgage would be affordable when it reverted back to repayment terms – when there would be less of the mortgage term left to repay the capital. It said it couldn't rely on a planned future sale of the property, as Mr S's plans – or market conditions – might change in the meantime. It initially agreed three months, but Mr S didn't accept that and said it should be for longer.

While this was under discussion in a series of emails, the government announced the mortgage charter.

In an email of 30 June 2023, Coventry said:

"We are in the process of reviewing the impact of the government's announcements on 23rd June and the charter that followed. Once we have reviewed this and have been able to apply the guidance we will look to see what impact this would have on your request. We will have more information on this over the coming weeks and will update you accordingly. As it stands your mortgage will remain on Interest Only until we are able to determine the impact to your request."

When Coventry told Mr S that the interest only period was coming to an end in March 2024, Mr S did not accept that Coventry was entitled to do this. He said the email of 30 June 2023 amounted to a clear statement that his mortgage would remain on interest only indefinitely, until such time as Coventry had carried out an impact assessment and made a decision based on that impact assessment. He said that because there had been no impact assessment, Coventry was not entitled to switch the mortgage back to repayment.

I don't agree with Mr S about that. The context of the email discussion in June 2023 was that Coventry had agreed a three month interest only period but Mr S wanted longer. Before that had been resolved, the mortgage charter was introduced. One of the provisions in the mortgage charter is an option for borrowers up to date with their mortgage to switch to interest only for six months. That was obviously relevant to the ongoing discussions about Mr S's mortgage.

I think that email simply said that there had been a new development – the mortgage charter – which might be relevant to the ongoing discussions about an interest only concession. Before making a decision, Coventry needed to consider what the charter said and how that would impact what it could offer Mr S. That's not unreasonable. I don't think the email amounted to an undertaking to carry out a formal impact assessment, either in respect of Mr S's mortgage or more generally, or an undertaking not to switch the mortgage back to repayment terms until one had been carried out. It simply said that Coventry wanted to consider how the new charter would affect what it could offer Mr S and it would update him about that in due course.

That means that Coventry should have updated Mr S. It says it decided to offer a twelve month period of interest only. But I'm not persuaded of that. Its internal notes show that it was still considering what to offer Mr S into August 2023. In August it decided that it would offer Mr S a six month interest only period under the Mortgage Charter. It called Mr S to discuss this on 24 August. Mr S said he had had a letter confirming the mortgage was on

interest only until further notice. Coventry said it hadn't said that – the letter Mr S was referring to set out his new monthly payment on interest only, but didn't say that the mortgage was on interest only until further notice. Mr S terminated the call.

Coventry then left several voicemail messages for Mr S in September but was unable to speak to him. It did speak to Mr S in October, but this conversation was about whether Mr S's mortgage was in arrears or not. There was no discussion about the duration of an interest only arrangement.

There was then no contact with Mr S – other than a voicemail in January – until the 6 March 2024 letter. That letter said that Coventry had agreed three months on interest only from April 2023. It said it had then agreed an extension to October, at which time Coventry should have carried out a review and contacted Mr S – it apologised for not having done so. Coventry said that as a result it had now agreed to allow interest only for twelve months until 31 March 2024, as Mr S had initially requested. The mortgage would revert back to repayment terms from April 2024. Coventry would be willing to discuss other forms of support, but would not agree a further interest only period.

Mr S replied saying that he did not agree. In an email on 26 April 2024 he said he had initially asked for twelve months, but on the basis that might need to be extended. But he said that in any event in the 30 June 2023 email it had agreed to an indefinite period pending an impact assessment which had not yet happened. Therefore his mortgage should remain on interest only. Coventry replied and said that it would not extend the interest only period. The mortgage would revert to repayment terms from May 2024. To consider other options, Coventry would need up to date income and expenditure information.

I'm therefore not persuaded that Coventry had agreed a twelve month period of interest only. It agreed three months, then said it would need to review what it could offer in light of the introduction of the Mortgage Charter, then tried to get in touch with Mr S to discuss matters. But there was no formal confirmation to Mr S that it had agreed twelve months, and I've not seen evidence of such a decision being made in its internal notes.

But I also don't agree with Mr S that Coventry agreed to an indefinite switch to interest only. That's not what the 30 June 2023 email says. And later rate change letters simply say what the new payment will be while the mortgage is on interest only terms – not how long that will (or will not) continue.

As I've set out above, the regulator requires Coventry to offer reasonable forbearance to customers facing financial difficulty. That might include a temporary period of making interest only payments, either as a reduced payment arrangement or a temporary contract variation. But – except where a six month period on interest only is granted under the Mortgage Charter – it should be kept under review to ensure it remains affordable and appropriate forbearance. And where – as here – a period on interest only is done as a reduction in the amount due rather than arranged arrears – Coventry should ensure that it is affordable and that there is a credible way of repaying the mortgage capital.

There was no agreement that the mortgage would be on interest only terms indefinitely, or for a set period. It was fair and reasonable that Coventry wanted to review the situation in March 2024, when Mr S had in fact been allowed to make interest only payments for a year.

Was it fair to switch Mr S's mortgage back to repayment terms in May 2024?

Coventry allowed Mr S twelve months on interest only – in practice, that ended up as thirteen months before the mortgage was switched back. In early May 2024 it told Mr S in an email that he had not kept to the terms of the interest only arrangement because he had not

made regular payments of the correct amount and so the mortgage was now back in arrears. That suggested that an interest only arrangement was not affordable, and so Coventry would not agree to extend it. It said that an interest only arrangement was intended to be a short term concession, but it appeared that Mr S had long term affordability problems. It would consider other options, subject to a new review of Mr S's income and expenditure.

Mr S didn't agree with that. He said Coventry had not made the arrangement conditional on there not being arrears when it was agreed. As a result, there was no legal or contractual basis on which it could switch the mortgage back to repayment terms. He said it made no sense for Coventry to conclude that he couldn't afford to pay interest only and then make him pay the much larger payments on repayment terms.

In May 2024, Mr S completed a new income and expenditure form. This showed that the mortgage was not affordable on either repayment or interest only terms.

For the reasons I've already given, I don't think it was unreasonable that Coventry wanted to review what it could offer Mr S at this point. Forbearance because of financial difficulties – including periods on interest only – is intended to be temporary and kept under review. Coventry had not said that it had put Mr S on interest only indefinitely. Reverting the mortgage to repayment terms was not a breach of contract; it was reinstating the contractual provision that this is a repayment mortgage at the end of a temporary concession.

I think it was reasonable to take into account Mr S's payment history while on interest only. That was relevant to deciding whether it continued to be appropriate forbearance moving forward. Mr S had largely maintained his payments on interest only, though he usually paid a few days late. But that had changed more recently:

- In December 2023, Mr S made no payment.
- In January 2024, Mr S made the equivalent of two monthly payments on 19 January, meaning December's payment was more late than usual.
- In February 2024, Mr S made one payment.
- In March 2024, Mr S made no payment.
- In April 2024, Mr S made the equivalent of two monthly payments – though at the end of the month, meaning March's payment was a month late.
- In May 2024, Mr S only paid around half the interest only amount.

I think it was reasonable for Coventry to be concerned that Mr S's payments had become more erratic. This, combined with the income and expenditure information, raised real concerns about whether the mortgage was affordable for him even on interest only terms. Although Mr S has maintained the monthly payments since May 2024 (other than making no payment in November 2024) that wouldn't have been known at the time – and Mr S has said he's dependent on family support.

As regards repaying the mortgage capital, the longer Mr S remained on interest only the less time there would be to repay the remaining capital when the interest only period came to an end, meaning that the longer things were left, the higher the monthly payments would eventually be. As I've explained above, this is something that Coventry was required to think about.

Mr S said that repaying the capital was irrelevant, because his plan was to sell the property

at some point before the end of 2027. I think it was reasonable that Coventry didn't accept this. To continue with a switch to interest only, it would have to think about repayment strategy. The rules of mortgage regulation say that sale of the mortgaged property is not generally an acceptable repayment strategy. Coventry was concerned that reliance on this might cause more problems later – because Mr S might decide not to sell after all or his circumstances might change, or because there might be problems selling the property when the time came. This was a reasonable concern that Coventry fairly took into account.

If Mr S's intention was to sell the property immediately, it might be reasonable to extend the period on interest only for a few months while the property is marketed and sold. But a longer term plan to sell the property within the next few years, keeping the mortgage on interest only in the meantime, is a different proposition. It creates additional risk that if Mr S changed his mind or was unable to sell, there would be less time to repay the capital with higher monthly payments.

The regulator requires Coventry to assess repayment strategy when considering a switch to interest only, and it was reasonable to conclude that a potential sale some years off was not an acceptable repayment strategy – especially when the evidence of Mr S's conduct of the mortgage in recent months, and the evidence of his income and expenditure assessment – suggested that the mortgage might well not be affordable for him in the meantime.

The purpose of forbearance is to give a borrower time and space to get the mortgage back on track. But forbearance that does not achieve that, and which risks making things worse not better, is not in the borrower's best interests.

I think it was reasonable for Coventry to conclude that a further period on interest only would not make the mortgage affordable for Mr S. Allowing another three or more years on interest only when the mortgage was likely not affordable would not solve the immediate problem that Mr S could not sustain the mortgage payments. Relying on future sale of the property is not an acceptable repayment strategy, and doing so risked putting Mr S in a worse position in the future if his plans or circumstances changed.

Mr S makes the point that if interest only is unaffordable, then putting the mortgage back on repayment terms just makes things worse. But that isn't the right way to think about it. This is a repayment mortgage. That's what Mr S agreed in 2008, and that's what the mortgage agreement says.

A temporary change to interest only might be an appropriate form of forbearance where it resolves the underlying problem, allowing the borrower time and space to resolve their financial difficulties before the mortgage switches back to repayment terms. Coventry gave Mr S that period.

But there was evidence that the mortgage was still unaffordable even with the reduced interest only payments. Mr S's income had not increased. He had recovered substantial fees through legal action against a client, but had used those funds for other purposes rather than repaying the mortgage. There was no certainty that his income would improve in the future, or that he would be able to recover other unpaid fees (and if so, when that would be). A year on interest only had not allowed Mr S to solve the underlying problem that his mortgage was no longer sustainable for him. Allowing a further prolonged interest only period was unlikely to change that, and risked making his situation worse overall. I'm satisfied that Coventry acted fairly in not agreeing to extend the interest only period past May 2024. This is not a case of increasing his monthly payments; it's a case of not renewing forbearance where it is not resolving the underlying issue.

That means that Mr S's mortgage is now on repayment terms. Because he has only made

the interest only payments since May 2024, he is now back in arrears. Now this complaint is over, Mr S will need to engage with Coventry to discuss his plans – both for repaying the arrears, and for making the mortgage sustainable for the remainder of the term. If that's not possible, he may need to consider bringing it to an end sooner than 2027.

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 to accept or reject my decision before 22 April 2025.

Simon Pugh
Ombudsman