Financial Ombudsman Service

The complaint

Mr L's complaint relates to a lifetime mortgage he had with Legal & General Home Finance Limited (L&G). He is unhappy that it would not allow him to port the mortgage to the property of his choice and so he had to pay an early repayment charge when he moved.

What happened

In 2021 Mr L applied for a lifetime mortgage with L&G after receiving advice from an independent mortgage adviser. He borrowed £170,000 plus fees, and had a drawdown facility of £2,000, with a fixed interest rate of 3.55%. Mr L chose to make monthly interest payments so that the mortgage balance didn't increase. It was documented that an early repayment charge (ERC) applied to the mortgage in the first 15 years and that this could be up to 9% of the mortgage balance. The mortgage offer stated:

If you buy a new home, you may be able to transfer your lifetime mortgage to your new home, or you may be able to get a new lifetime mortgage. Otherwise you will have to repay the amount you owe to the lender from the money you get from the sale of your home. Any money left over belongs to you.

…

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 an Early Repayment Charge as described in Section 13.

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.

…

Early Repayment Charges

Your lifetime mortgage is designed to be repaid when you … have died or leave or leave your home because you need long term care. If you repay your lifetime mortgage at any time before that, for any reason other than those listed below you may have to pay a substantial Early Repayment Charge.

The mortgage offer then goes on to detail that the percentage of the mortgage charged as an ERC reduces gradually over the first 15 years of the mortgage. It also detailed the situations where the ERC would not be payable even if the mortgage was repaid in the first 15 years.

In October 2024 Mr L decided that he wanted to move home. His mortgage broker contacted L&G about potentially porting the mortgage to a new property, and it was told that L&G did not accept age restricted properties as security for mortgages.

Mr L expressed his unhappiness with this decision in November 2024, as he said that he had discussed at the time of the sale the possibility of downsizing when a suitable property became available.

L&G responded to the complaint in a letter of 11 December 2024. It did not uphold the complaint. It confirmed that the property Mr L bought fell outside of its lending criteria.

Mr L repaid his mortgage with L&G on 18 December 2024, including the ERC that L&G applied.

Mr L was not satisfied with L&G's response to his complaint and referred it to this Service. When he did, he told us that he understood that since he had taken his mortgage with L&G its lending policy had changed to exclude 'over 55's' properties, and L&G had not informed him of this change. It was only when he asked to port the mortgage that it told him. Mr L says that when he took the mortgage he 'contracted' with L&G on the basis that it would accept an over 55's property, and if he had known it would change its mind, he would not have accepted the mortgage offer.

One of our Investigators considered the complaint, but she didn't recommend that it be upheld.

Mr L didn't accept the Investigator's conclusions. He reiterated his concerns about not having been made aware of the change in lending criteria that meant the property he had bought was unacceptable to L&G. He provided a copy of an email from L&G to his mortgage broker confirming that L&G had removed age restricted properties from its accepted criteria earlier in 2024 due to concerns about uncertainty in the resale market. Mr L again stated that had he known that L&G might remove age restricted properties from those it considered as acceptable to lend on, he would not have applied for the mortgage with it. As such, it was unreasonable for L&G to have applied the ERC.

The Investigator considered Mr L's further comments, but she was not persuaded to change her conclusions. Mr L asked that the complaint be referred to 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.

Mr L has told us that he was told age restricted properties were acceptable to L&G in 2021 and that he would not have taken out the mortgage had he been told they were not acceptable. Mr L hasn't said who told him that L&G would lend on age restricted properties, but it seems likely that it was his broker rather than L&G, as L&G would have had very little direct contact with him. I can't hold L&G responsible for what third parties told Mr L, but whoever it was that answered the question, they gave him correct information at the time. It is also likely that Mr L would have been given that answer with a caveat; that this was the current situation, but it could not be guaranteed it would be the same in the future, as L&G could change its lending policy.

Lenders are allowed to decide how much risk they are willing to take when deciding whether to lend. This will mean that some lenders will lend on some types of property that others are not willing to. There is nothing wrong with this and it promotes competition and diversity within the mortgage market. Lenders are also able to change their lending policies based on changes to their appetite for risk, and changes within the mortgage and property markets that alter the level of risk a property represents. Lenders are entitled to do this and it is not something this Service would generally interfere with – although we can still consider whether a customer has been treated fairly in their individual circumstances.

In this case, as was explained in the email Mr L's broker received, L&G had more recently found that there were problems selling restricted age properties. As such, it reassessed the level of risk such properties represented to it and concluded that it was higher than had previously been believed. This increased risk meant that such properties fell outside L&G's appetite for risk and it removed them from the list of acceptable property types within its lending criteria. As I have said above, L&G is entitled to change its lending criteria when it feels it needs to. That is what it did in respect to age restricted properties and it was entitled to do this.

Mr L has effectively said that in refusing to lend on the property he wanted to buy, L&G has breached the Consumer Duty, as it has meant that it inflicted foreseeable harm on him. I would firstly comment that while the Consumer Duty requires that businesses think about what they can do to deliver good outcomes for customers, that doesn't mean that individual customers will always get the outcome they want. It also doesn't mean that a lender needs to set aside its lending criteria in order to give a consumer what they want.

As for telling Mr L about the change, in the circumstances of this case, it is not something I would have expected L&G to do. As the Investigator explained, lending criteria is commercially sensitive and not something that a lender will publicise. It also changes from time to time, and changes to criteria for new mortgages don't affect most existing borrowers. So we would only expect a lender to tell a consumer about any such changes if it is aware the change will have an immediate impact on them. So, for example, if Mr L had been talking to L&G about moving and discussing the type of property he could move to, I would have expected the change to be mentioned. Mr L was not having any such conversations with L&G at the time it changed its lending criteria. Furthermore, L&G would not have been aware of the conversations Mr L had with his broker in 2021 about the potential of moving. The first time L&G appears to be aware that the change in lending criteria could have an impact on Mr L was in October 2024, and it confirmed in a timely manner that the property Mr L was proposing to buy was not acceptable security. I do not consider that L&G did anything wrong in this respect.

I now turn to the matter of L&G applying an ERC when the mortgage was repaid. I am satisfied the ERC was clearly documented, in the way the regulator's rules required, in the mortgage offer in 2021. Mr L accepted the offer and the ERC that was associated with it, even if he thought at the time it was unlikely that he would have to incur it.

As has been highlighted, it was made clear to Mr L at the time of the sale of the mortgage that the ability to port was dependent on the new property being acceptable to L&G. It is unfortunate for Mr L that the change in lending criteria meant that Mr L could not do what he wanted to, but I can't find that L&G was wrong to assess his potential application in the same way it would any other customer's in 2024.

I have also thought about L&G's obligations under the Consumer Duty, but that doesn't change my view of the case. The Consumer Duty doesn't oblige L&G to agree to any application Mr L might make. It requires L&G to ensure that he is treated fairly and that it ensures, as far as possible, that he achieves good outcomes. I am satisfied that in assessing Mr L's potential application in the way it did, L&G treated him fairly and it is unfortunate that assessment didn't produce the result he wanted. However, that is not because L&G acted unfairly. Achieving good outcomes does not always mean agreeing to a customer's application; it means giving their application fair consideration. I am satisfied that is what L&G did.

At the point Mr L was told that the property he wanted to buy was not acceptable to L&G, he had a choice to make. He could remain in his existing property until the ERC period had expired and look to move then; he could look for an alternative property that was acceptable to L&G; or he could proceed with the purchase in the knowledge that he would incur an ERC. He chose the latter option, which was a choice he was entitled to make, but he did so knowing it would involve paying the ERC. As such, I don’t consider it was unreasonable for L&G to apply the ERC Mr L accepted in 2021. Overall, I am satisfied that L&G treated Mr L fairly.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr L to accept or reject my decision before 29 August 2025.

Derry Baxter
Ombudsman