

The complaint

Mrs L complains that Metro Bank PLC charged her an early repayment charge (ERC) after it declined her application to port her mortgage to a new property.

What happened

Mrs L took out a mortgage with Metro in 2023. She borrowed just over £230,000 over a term of 17 years. It was on a fixed interest rate for the first five years. An ERC was payable if the mortgage was repaid in full during the fixed rate period. The mortgage could also be ported, or transferred, to another property subject to Metro's lending criteria at the time of application.

In late 2024 Mrs L applied to Metro to port the mortgage and borrow some more money. Metro instructed a valuation of the property she wanted to buy. But the valuer said the property wasn't acceptable security to Metro under its lending policy, because it was subject to escalating ground rent which wasn't linked to the Retail Price Index (RPI) or a similar external measure. Metro said it wouldn't lend against the property.

Mrs L asked Metro to reconsider. She pointed out that the ground rent was only £150 a year and would only double once every 25 years – so it would only increase once at most during the 16-year term of the mortgage she wanted. Metro referred back to the valuer but came to the same conclusion – it wasn't prepared to lend against the property Mrs L wanted to buy.

Mrs L took out a mortgage with another lender. In doing so she paid fees to both Metro and the new lender, including an ERC of around £9,000. She also made a complaint. She didn't think it was fair for Metro to charge her such a large ERC in the circumstances. She had wanted to keep her mortgage with it and she said the ERC was disproportionate and excessive compared to the amount of the ground rent that had caused the problem.

Metro said it had done nothing wrong and that the ground rent clause would be detrimental to the value of the property. Mrs L asked us to look into her complaint. Our Investigator didn't think it should be upheld. He concluded that Mrs L's application hadn't met Metro's lending criteria and the ERC was applied in line with the terms of her mortgage.

Mrs L didn't accept that and asked for a review. She still considered it was unfair of Metro to charge her such a high ERC in the circumstances, and said the ground rent clause should make her new property more, not less, marketable, because it isn't linked to RPI.

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.

Mrs L had wanted to keep her mortgage with Metro, and the ERC and the other costs of moving her mortgage to a new lender are significant expenses which she hadn't budgeted for when she decided to move home. I was sorry to read about the impact this has had on her. I have however concluded that I can't fairly uphold this complaint.

Mrs L's Metro mortgage could be transferred to a new property. That was provided for in the terms of the mortgage product Mrs L took in 2023. But porting wasn't an automatic entitlement – it was subject to Metro's lending criteria at the time of application. Those criteria included the suitability of the new property as security for the mortgage.

Metro instructed a firm of qualified surveyors, regulated by the Royal Institution of Chartered Surveyors, to carry out the valuation on the property Mrs L wanted to buy. It was entitled to rely on the valuation the valuer provided. The valuation put a market value on the property but also said: "It is understood that the property has an escalating ground rent which is not linked to RPI/similar. This is unacceptable under lender policy".

I've seen a copy of Metro's lending policy. This satisfies me that this type of ground rent clause didn't meet Metro's criteria. Metro wasn't therefore prepared to lend on the property. I've considered everything Mrs L has said about why she considers this unfair. However, lenders are entitled to set their own lending policies and have different risk appetites. It's unfortunate that the particular property Mrs L has bought fell outside Metro's appetite for risk, but the fact is it did. Metro has explained to Mrs L that it considers a ground rent clause like this one will have a detrimental effect on the saleability and value of the property. That's a commercial view it's entitled to take, even if Mrs L disagrees with it.

An ERC was payable when Mrs L repaid the mortgage in full. The circumstances in which it would be payable were set out clearly in the mortgage offer she accepted in 2023. The cash value of the ERC at different times was also clear. The amount of the ERC was unrelated to the reason why Metro declined Mrs L's application to port her mortgage. The ERC is there to cover the costs of a borrower paying their mortgage back early, as Mrs L ultimately did.

My final decision

For these reasons, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L to accept or reject my decision before 20 August 2025.

Janet Millington
Ombudsman