

The complaint

Mrs H's complaint is about a second charge loan she and her late husband took out in 2005 and which is now owned by Intrum Mortgages UK Finance Limited. She is unhappy that in 2006 the term of the loan was extended to 2030 without her knowledge or consent. In addition, Mrs H is dissatisfied that Intrum has been unable to provide a copy of the documentation from the time of the extension.

What happened

Mr and Mrs H took out the unregulated second charge loan in the autumn of 2005. It was for slightly over £27,500, plus a payment protection insurance premium was added to the balance, over a term of 15 years. The monthly payments were £309 and the loan was arranged on a variable interest rate, which at that time was 7.2%.

The records Intrum have from the original lender state that Mr H made a claim under the payment protection insurance in July 2006 following being made redundant. The claim was accepted and when the payments from the insurer were received by the lender, the payment Mr and Mrs H had made was refunded. This arrangement appears to have ended in October 2006, presumably due to Mr H having started a new job.

The next contact from Mr H to the lender was on 8 December 2006. He asked the lender to extend the term of the loan in order to reduce the monthly payments. This was agreed and ten years was added to the term. The monthly payments reduced to around £260.

Mr H contacted the lender again in June 2007 as he was unemployed and wanted to make a claim under the payment protection insurance policy. When that claim was not successful, the loan went into arrears. Mr H informed the lender he had a new job a couple of months later, but also that he and Mrs H were in financial difficulties as it appears it was not a full-time role. These difficulties continued for significant periods until the end of 2016, due to Mr H being unemployed or off sick for periods. In between the periods of unemployment, Mr and Mrs H paid slightly more than the monthly contractual payment with the additional sum going toward reducing the arrears balance. In January 2016 the interest rate charged on the loan was just over 8% and the lender reduced the interest rate on the loan to 2% as a forbearance measure, which has remained in place ever since. From the end of 2016 Mr and Mrs H paid £266 each month until the beginning of 2022, when they increased the monthly payment to £280.

In late 2023 Mr and Mrs H questioned the fact that they were still making payments to the mortgage, given the term they took it out over. They were told that in 2006 Mr H had arranged for the term to be extended by around 10 years so that it would end in 2030.

Mr H sadly passed away in 2024.

Mrs H has said that as a joint borrower, Mr H would not, and could not, have extended the term of the mortgage without consulting her, and no such conversation occurred. She complained to Intrum as she didn't believe that the term had been extended, and it had been unable to provide any supporting documentation to that happening.

Intrum responded in a letter of 27 June 2024. Intrum highlighted that complaints about the activities undertaken by the original lender were not its responsibility but rather should be raised with the Financial Services Compensation Scheme (FSCS). It went on to explain that as the term extension had been granted by the original lender in 2006, it didn't have any documentation relating to it. However, it said that the mortgage terms and conditions didn't specify that both borrowers had to consent to changes being made to the contract. As such, it didn't think there would have been any need for a joint instruction to be made for the term extension. It said that as the term extension was granted before it was involved with the mortgage, it could not agree that it had acted incorrectly or unfairly in any way. As such, it did not uphold the complaint.

Mrs H was not satisfied with Intrum's response and referred her complaint to this Service.

One of our Investigators reviewed the complaint. She concluded that we could consider the complaint, but that given the position that Mr and Mrs H were in at the time, with arrears and in financial difficulties, it was not unreasonable for the original lender to have extended the term of the loan. Indeed, she considered that had the term extension not been granted at Mr H's request, it is likely the loan would have been in a worse position and so she concluded that no unfair relationship had been created.

Mrs H didn't accept the Investigator's conclusions. She said neither she nor Mr H had become aware of the term extension until a relative had questioned it in December 2023. In addition, Mrs H said that they had in 2006 paid the amount that had been agreed of £266 until Mr H had returned to work, which they had not needed to, as they had taken out a payment protection policy with the loan. She said that had the loan term been extended, there would be additional documentation signed by both of them. As no documentation exists, Mrs H said she considered that the term of the loan had not been legally extended, and she should receive back any payments made after the original term ended in 2020.

While the Investigator considered Mrs H's further comments, she didn't change her conclusions. As agreement could not be reached, it was decided that the complaint should be referred to an Ombudsman for consideration.

What I've decided – and why

As the Investigator said, we can consider whether there has been an unfair relationship between Mr and Mrs H and the lenders since the term extension – taking into account all matters relevant to the fairness of that relationship, whenever they occurred. As the current lender, Intrum is responsible for ensuring the relationship is currently fair, even if the unfairness may have originated in things done or not done by its predecessor.

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Mrs H has said that she was not aware of the term of the loan being changed and that when their daughter questioned that they were still paying it in 2023, Mr H was not aware of that having happened either. In light of Mrs H's comments, I have looked at the account contact notes. While Mrs H has said Mr H didn't know about the term being extended, the contact notes from 2006 evidence that he did. In fact, they evidence that the term extension happened because he asked for it in order to reduce the monthly payments.

As the Investigator explained, this was not a regulated loan and so the requirements that were in place for other types of loans and mortgages didn't apply. However, that doesn't mean that the lender did not have to treat Mr and Mrs H fairly or that it didn't have to administer their mortgage in an appropriate manner. Mrs H has rightly pointed out that

Intrum is unable to provide documentation relating to the term extension. That does not mean that the term was not extended or that the original lender should not have done so when Mr H asked for it to happen.

It appears from the request Mr H made, that Mr and Mrs H needed to reduce their outgoings toward the end of 2006. It's not documented why, but this was shortly after Mr H started a new job and it is possible that his income was not what it had been in his previous job. I also note that Mrs H has said that she was aware that the monthly payments were reduced in 2006 when they were having financial difficulties, although she thought this was a temporary arrangement. The amount Mrs H understood the payments were reduced to is in line with the reduced contractual payment under the extended term. This, and the fact that the payment didn't go back up and Mr H didn't query that, would support the term having been extended.

As the Investigator explained, when a borrower gets into financial difficulties, lenders are expected to look at what they can do to help with the situation. Forbearance measures will depend on a number of factors, including whether the difficulties are expected to be short, or long-term. The measures can vary from providing a short-term reduced or nil payment period, to capitalising arrears or extending the term of the loan to make the monthly payment more affordable. It would appear that the original lender likely agreed to Mr H's request to help ease Mr and Mrs H's financial difficulties. I don't think this was unreasonable, would be considered treating Mr and Mrs H unfairly or creating an unfair relationship. Nor would the subsequent lenders administering the loan on the basis of that extended term thereafter be considered as them treating unfairly.

I also note that after the term extension Mr H's employment was unstable for many years with him becoming unemployed another four times between June 2007 and October 2013. On each occasion this caused a period of financial difficulties where Mr and Mrs H could not afford to make the full monthly payments to the loan and sometimes, they couldn't afford to make any payments at all. Even when Mr H was employed full-time, they were not able to make significant inroads into the arrears that had built up on the account.

Had the term extension not been granted, the monthly payments that Mr and Mrs H would have needed to pay would have been around £50 more. That would have meant that the arrears on the account would have built more rapidly and the amount that Mr and Mrs H were able to afford to pay once Mr H's employment stabilised, would not have been enough to cover the contractual payments, let alone make any payments toward the arrears. That would have placed the loan account in a very different position from the point of view of a lender. So had the term extension not been granted, I am satisfied that Mr and Mrs H would have been in a worse position with the arrears continuing to build each and every month, whether they made payments or not. I am also satisfied that the interest rate reduction that has been applied in recent years would also demonstrate that the lenders were treating Mr and Mrs H fairly, as this meant that more of the payments they were making went to reduce the arrears.

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 Mrs H to accept or reject my decision before 9 July 2025.

Derry Baxter
Ombudsman