

The complaint

Mr B is unhappy that TSB Bank plc wouldn't allow him to have tenants in his property when he thought he had consent-to-let. Mr B doesn't think TSB Bank plc has offered him enough support while he has been in financial difficulty.

What happened

Mr B took out an interest-only residential mortgage with TSB in 2005.

In 2023, Mr B contacted TSB as he was in financial difficulty. He had tenants in the property and the rental income he was receiving wasn't enough to meet the interest-only mortgage payments. TSB told Mr B he didn't have permission to have tenants in the property.

Mr B contacted TSB again in 2024 as he was still in financial difficulty and his account was now in arrears. He no longer had tenants in the property and couldn't afford any payments towards the mortgage going forward.

Mr B complained to TSB that it wouldn't allow him to rent out the property when he thought he had been given ongoing permission to do so at the outset of the mortgage. He thought TSB wasn't doing enough to support him. Mr B put the property up for sale and wanted to come to an arrangement with TSB about his arrears.

TSB said Mr B had left it too late to make a complaint about how his mortgage was taken out. Mr B remained unhappy with TSB's response and referred the complaint to our Service. TSB agreed to consider an application for CTL (consent-to-let) following the complaint being referred to our Service.

One of our Investigators looked into the complaint and agreed it was too late to complain about the sale of the mortgage. Our Investigator thought TSB could have considered CTL for Mr B earlier than it did. He didn't think it was guaranteed CTL would be approved, but he said TSB should pay Mr B £250 for the trouble and upset caused to him by not considering this option sooner. Mr B still didn't agree.

I issued a jurisdiction decision on 13 March 2025 that said we can't consider how Mr B's mortgage was taken out. I issued a provisional decision on 6 May 2025 setting out my initial conclusions on whether TSB had treated Mr B fairly while in financial difficulty over the last six years. In that I said:

'What I've provisionally 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.

Lenders should treat borrowers who are experiencing financial difficulty fairly; that includes considering whether there are any appropriate forbearance measures it can offer. In the circumstances of this complaint, I'd expect TSB to take steps to offer flexible and tailored

solutions taking into account Mr B's personal and financial circumstances.

I've looked carefully at the contact history between Mr B and TSB over the past few years the history of the mortgage account, as well as what Mr B has told us. Having done so, I agree that TSB should have done more to support Mr B.

Mr B initially contacted TSB mid-2023 to make it aware he was experiencing financial difficulty. Mr B had begun making reduced payments in 2022, but up until early 2023 the mortgage account had mostly remained in credit. Mr B said his mortgage payments had continued to increase, but he was unable to increase the rent he received from his tenants. This had caused a deficit in what he could pay towards his mortgage payments.

TSB emailed Mr B an income and expenditure questionnaire so it could have a better understanding of his circumstances and consider if an appropriate concession could be made. I've not seen evidence of Mr B providing details of his income and expenditure at this time. Without Mr B engaging with TSB in a meaningful way and providing details of his financial circumstances, TSB couldn't offer a concession appropriate to Mr B's needs. So, I don't think TSB acted unreasonably by not offering any further concessions in 2023.

In June 2024, Mr B contacted TSB again. The property was no longer tenanted. Mr B wasn't working and said he wouldn't be able to make any mortgage payments going forward. The contact notes show Mr B provided details of his income and expenditure to TSB in late June. I've not been provided with a copy of this from June, but I have seen a copy from October. It shows Mr B was in a clear deficit and unable to afford any payments towards the mortgage.

Mr B made limited contact with TSB over July and August 2024, due to bereavement. By September 2024, Mr B had put the property up for sale and provided evidence of this to TSB. Mr B was engaging with TSB, and actively trying to find a solution to repay his mortgage and arrears. Mr B told TSB he'd received offers on the property, but he was reluctant to accept them without agreeing an arrangement for the arrears. He said the offers were less than the outstanding balance owed on the mortgage. From reviewing the contact notes about the sale price and the mortgage statements provided, it does appear Mr B's property was at risk of going into negative equity.

I'm not satisfied that TSB did enough to consider what appropriate forbearance measures it could offer Mr B at this point. TSB has said that as Mr B had made reduced payments in 2023 and was in arrears, it was unable to offer any further forbearance measures. I don't agree with this.

The Mortgages and Home Finance: Conduct of Business sourcebook (MCOB) sets out various concessions that lenders must consider, and these should be tailored or combined considering the individual circumstances involved. I recognise a number of concessions wouldn't have been appropriate in Mr B's circumstances, as the mortgage was already interest-only, and Mr B was unable to make any payments. But Mr B was clearly in a difficult position and wanted to take action to pay back the mortgage. Acting fairly and reasonably, TSB should have considered what more it could do to support Mr B.

I don't consider it was fair or reasonable for TSB to let things continue as they were just because Mr B had already had a concession of making reduced payments and was in arrears. Mr B was meaningfully engaging with TSB and taking proactive steps to sell the property to repay the outstanding mortgage including the arrears. His property was close to becoming, if not already, in negative equity and he was requesting further support from TSB.

In the circumstances of this complaint, I consider it would have been right for TSB to waive the interest on Mr B's mortgage for a short period to facilitate the sale of the property. This

would have meant Mr B's mortgage balance remained the same while he went through the process of selling the property and it would have given him assurances that he wouldn't be left with a substantial shortfall debt.

But this didn't happen. And Mr B chose not to accept the offers on his property. As far as I'm aware Mr B's balance has continued to increase and he has not gone through with a sale since. I understand that in November 2024, Mr B remarketed the property for sale, and for rent, and TSB sent Mr B an application for CTL. It's unclear if TSB has since agreed to CTL for the property.

Our Investigator said TSB should have offered Mr B the opportunity to apply for CTL earlier than it did. And I agree with this. If TSB was going to offer CTL as a short-term measure, it could have done this as soon as Mr B let it know he was selling the property. By not doing so, Mr B has potentially lost rental income which he could have used towards his mortgage.

CTL would be a short-term measure while Mr B continued to market the property for sale. It takes time to find new tenants, and there's no guarantee the property would be rented. If it was, Mr B may end up tied into a rental agreement which would make a sale more difficult. In the meantime, Mr B will remain unable to make his monthly interest-only payments and the property will continue to fall into negative equity. And I think Mr B wanted to sell the property and chose to apply for CTL only because he didn't want to sell the property without support from TSB with his arrears. So, considering all of this, I don't think offering CTL was the right thing for Mr B. I consider a concession of waiving interest for a sale to go through would have been the appropriate thing to do in these circumstances.

When reviewing this complaint, I asked TSB if it had considered waiving interest given the circumstances here. It said it wouldn't consider waiving interest as a forbearance measure in September 2024 as the relevant rules requiring this weren't in place until November 2024. It said that following these regulations being put in place, it would only consider an interest rate reduction, not a waiver. I don't agree with TSB.

While it wasn't a requirement to specifically consider waiving interest as a forbearance measure in September 2024, it was a requirement under MCOB for TSB to consider all relevant forbearance options and tailor an appropriate measure for Mr B's needs. The concessions listed in MCOB aren't exhaustive. So, I don't agree that TSB didn't need to consider waiving interest in September 2024. And I think this was a reasonable concession in Mr B's circumstances.

I say that because lenders should only take possession action as a last resort. In most cases, it is a better outcome for a borrower to be given time to conduct their own sale as it reduces the costs for the borrower – and can often be a quicker process than taking legal action. In this case, Mr B had reasonable concerns that if he sold the property the proceeds would not be sufficient to repay the full mortgage balance. That was a legitimate concern for Mr B to have.

Mr B didn't sell the property because he was concerned about the potential shortfall. And I agree TSB could have done more to support him with this. But in saying this, even if it had, there's no guarantee that the sale would have completed. And Mr B could have still chosen to sell the property and raise a complaint about any shortfall following this. So, it's difficult to say what the position would have been if TSB had offered the period of waived interest. And the situation has since moved on.

TSB is required to avoid foreseeable harm and to enable and support its customers to meet their financial objectives. There was clear harm to Mr B if there was a shortfall remaining after he sold the property – and it was clear that he had an objective to avoid the shortfall if

possible. I've already explained that while waiving or reducing interest was not a specific requirement of MCOB at the time in question that did not prevent TSB considering such a concession. And the forbearance it offered should have been tailored to Mr B's individual circumstances.

I've thought carefully about this, and I think a reasonable way to put things right here is for TSB to rework the mortgage as if it had given Mr B a period of three months waived interest from September 2024 to give Mr B time to exit the mortgage without the mortgage balances increasing unreasonably to the extent that Mr B was in negative equity. I'd then have expected it to keep this under review on a three-monthly basis. From the information I've been provided, it doesn't appear Mr B's circumstances would have changed. The property would still have been at risk of negative equity and Mr B was still unable to pay towards the mortgage. So, if this is the case, I think TSB should rework the account as though interest was frozen from September 2024 to date, and keep this under review going forward. This will allow Mr B the opportunity to now sell the property without concerns of the increased shortfall and repay the outstanding balance to TSB, which is the position he would have been in back in September 2024 if TSB and treated him fairly.

If CTL has been granted and Mr B has since rented out the property, then he would have been able to use any rental income towards his interest-only payments. In this case, TSB would not have needed to continue the forbearance measure of waiving interest. So, if this has happened, TSB only needs to rework the account up until the period Mr B began receiving rental income.

This prolonged situation has clearly caused Mr B a significant level of upset and distress, when he was already in a vulnerable position due to his financial difficulties. But it is likely that even if TSB had treated Mr B fairly, there would still have been an element of unavoidable distress and inconvenience because of his financial circumstances and the situation may not have resolved any sooner. Bearing this in mind, I think the £250 compensation recommended by the Investigator is a fair way for TSB to compensate Mr B here.'

TSB responded to my provisional decision and said, in summary, that waiving interest isn't something it offers. It reiterated it offers interest rate reduction as a forbearance measure, but this only came into effect in November 2024 in line with the Financial Conduct Authority's PS24/2 rules. It said it held off litigation to allow a sale, but no sale has occurred.

It suggested that I was of the opinion Mr B's tenants had left the property as a direct result of him not having permission to let, and it questioned the basis of this opinion. TSB also noted that the compensation amount of £250 was the same amount that the Investigator had recommended for not offering CTL earlier, which it said I had viewed as not the best way forward for Mr B.

Mr B responded to my provisional decision and said he had agreed to sell the property twice but rules in Scotland required him to pay upfront for a cladding report and home report. He said this was money he didn't have, and he needed help or a buyer who was willing to cover the costs. He said he was worried about the lack of help from TSB and as time goes on the situation continues to worsen.

I asked TSB to clarify the current position with the mortgage and if CTL had been granted, or if the property was still for sale. TSB confirmed CTL had not been granted, the property was no longer for sale and action had been put on hold awaiting this decision.

I considered what both parties had said and contacted both Mr B and TSB to clarify how I thought things should be put right. I said it didn't appear there had been any progress or

active engagement with the selling of the property. And without paying for the reports needed to sell the property, it would be difficult for me to say Mr B would have actively engaged in selling the property had an interest waiver concession been granted as I'd outlined. Considering that waiving interest would only be intended as a short-term measure while Mr B was selling the property, and I wasn't persuaded that Mr B would have engaged with selling the property, I was minded to say it wouldn't be fair to tell TSB to waive interest from September 2024 to date.

But on the other hand, action has been on hold for months and either Mr B or TSB may have taken other action sooner if this complaint had been resolved sooner. Meaning Mr B's arrears and potential shortfall wouldn't have continued to increase to the extent it has.

Considering all this, I said I was minded to say TSB should pay Mr B £250 compensation for the distress caused by not offering him further support while he was in arrears, and it should rework the mortgage account so that interest was waived for a period of six months from September 2024.

I gave both parties one week to provide any further comments.

Mr B didn't respond. TSB said, in summary:

- Mr B was experiencing financial difficulties and not vulnerabilities
- It accepted my jurisdiction decision but the background to these events showed Mr B had not engaged with TSB to allow it to help him
- It didn't agree with the Investigator's view that CTL should have been considered earlier
- The crux of the complaint has evolved and changed
- It was Mr B's decision not to accept previous offers on the property that may have cleared the mortgage balance, and arrears have continued to increase
- It reiterated its process is for an interest rate reduction and not a waiver, and as such it said writing off six months interest is excessive

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.

Having reviewed all the information provided again, including Mr B's and TSB's response to my provisional decision, I've not departed from my conclusions set out in my email to both parties.

TSB has said it's process following new guidance that came into place in November 2024 is to offer an interest rate reduction, but it doesn't offer an interest rate waiver. Mr B was unable to make any payments towards his mortgage, so an interest rate reduction would not benefit him. Both an interest rate reduction and waiver are relevant considerations in the regulator's guidance that TSB is referring to.

I've explained that while waiving or reducing interest was not a specific requirement of MCOB at the time in question, that did not prevent TSB from considering such a concession. The concessions listed in MCOB aren't exhaustive. And the forbearance TSB offered should have been tailored to Mr B's individual circumstances. I've explained why I think a period of

waived interest was appropriate in Mr B's circumstances to avoid clear harm to him if his property went into negative equity while he was in the process of selling it. So, I won't go into detail on this again. From September 2024, Mr B was engaging with TSB and had his property on the market for sale. It was appropriate for TSB to consider what concessions it could offer Mr B to avoid foreseeable harm to him at this time.

I agree that it was right for TSB to hold off on litigation to allow Mr B time to sell the property. But this doesn't mean it shouldn't have offered further concessions to support Mr B at the same time.

It was not my finding that Mr B's tenants left the property as a result of him not having permission to let it out. I've not seen persuasive evidence to suggest that. My finding is that TSB didn't treat Mr B fairly by not offering him tailored forbearance measures while he was in financial difficulty - regardless of how there came to be no tenants in the property.

I agreed with the Investigator that applying for CTL could have been offered earlier as a short-term measure while the property was for sale, if that was what Mr B wanted. But as I explained in my provisional decision, I consider a period of waived interest was more appropriate in Mr B's circumstances. I think the level of impact this has caused Mr B remains the same, for the reasons I explained. So, I still consider £250 is fair and reasonable compensation for the avoidable distress caused to Mr B.

TSB has said the crux of this complaint has evolved. I appreciate Mr B's focus of the complaint, and TSB's, was around Mr B believing he'd had permission to let out his property when he took out the mortgage – but the thrust of his complaint was that by not renting the property, he'd gone into arrears, and TSB wasn't helping him. The complaint or the real source of Mr B's dissatisfaction was about the level of support offered while he was in financial difficulty and that is what we have considered.

Having considered all that has been said in the circumstances of this complaint, I maintain that TSB acting fairly and reasonably should have offered Mr B a concession of waiving interest on his mortgage from September 2024. This would have been a short-term measure while Mr B was engaging with TSB, actively selling the property, unable to pay anything towards the monthly interest payments and was at risk of harm by the property going into negative equity. It should have kept this under review, and considering that the property is no longer for sale and Mr B has said he'd be unable to pay for the required reports to sell the property, I don't find it's right to say the concession should have continued to date.

I've thought carefully about the current position, and that things have been put on hold while our Service has made a decision. Either Mr B or TSB may have taken action sooner if this was not the case, and Mr B's arrears – and potential shortfall – would not have increased to the level it has.

Taking all this into consideration, I've decided that TSB should rework Mr's B account as though it waived interest for a period of six months from September 2024. It should pay Mr B £250 for the additional distress caused to him by not offering this at the time. I consider this to be a fair and reasonable way to put things right in these circumstances.

My final decision

My decision is that I uphold this complaint.

TSB Bank plc should:

- Rework Mr B's account as though it waived interest for a six-month period from

September 2024

- Pay Mr B £250 directly

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 15 July 2025.

A handwritten signature in black ink, appearing to read 'E. Taskas', with a stylized, flowing script.

Emma Taskas
Ombudsman