

The complaint

Mr and Mrs C complain that Bank of Scotland plc trading as Halifax didn't treat them fairly after the term of their interest only mortgage expired.

What happened

Mr and Mrs C have an interest only mortgage with Halifax. The term expired in 2023 with an unpaid balance.

Mr and Mrs C previously brought a complaint to this service about how Halifax dealt with the expiry of the mortgage. This included complaints that Halifax didn't extend the term of their mortgage, it applied its standard variable rate (SVR) and didn't offer them a new interest rate product, and said it would hold recovery action for two years after the term expired. An ombudsman issued a decision in January 2025 in which she didn't uphold the complaint. I won't be reconsidering any issues previously considered by my colleague.

While the previous complaint was with us, Mr C raised a new complaint about how Halifax dealt with an application for an extension/new mortgage and a new interest rate in late 2024.

Halifax looked into the new complaint and issued a final response in February 2025. It said it considered Mr and Mrs C request for a term extension in November 2024, and referred it to the underwriters. It said it had given Mr and Mrs C the outcome in December 2024. Halifax said it couldn't give Mr and Mrs C a reason for declining their application. It said they didn't meet its criteria. Halifax said it would allow Mr and Mrs C a six-month grace period to sell the property.

Mr and Mrs C were unhappy with Halifax's response and brought their complaint to us. They said their complaint is not about the outcome (whether they're offered a mortgage/term extension). They say they accept that Halifax has the right to decide the outcome. Mr and Mrs C say their complaint is about the process.

A number of the points Mr and Mrs C raised relate to their previous complaint and I won't re-consider them here. I've summarised Mr and Mrs C's new complaint issues, based on Halifax's notes of the complaint that Mr and Mrs C raised with it, and what Mr and Mrs C said to us (excluding of course any issues that relate to the previous complaint).

- They are unhappy with the assistance provided by Halifax since their previous complaint.
- Halifax told them they were eligible for a term extension/contractor mortgage and took them through the application process. They were told this was referred to the underwriters in late 2024, but they weren't told the outcome.
- Halifax didn't explain what application was declined, or what criteria they didn't meet.
- Why was their new application not put to the panel and/or why was it changed to a request for a three-year extension?

Mr and Mrs C say they're going round in circles and the obfuscation is upsetting and distressing.

Our investigator said Halifax acted fairly when it reviewed Mr and Mrs C's circumstances in late 2024, outside its standard lending and affordability criteria, to see if a term extension would be in their best interests. Its affordability assessment showed payments on a repayment basis were not affordable, and this wouldn't be in their best interests. Mr and Mrs C didn't meet criteria for a new interest only mortgage.

Our investigator said it was fair for Halifax to allow a six-month grace period to sell the property. She said Halifax had shown reasonable forbearance and she couldn't fairly ask it to do more.

Mr and Mrs C didn't agree. Mrs C said they didn't request a repayment mortgage. She said Halifax should find a solution that allows them to stay in their home, otherwise they are mortgage prisoners. Mrs C said an obvious solution is for Halifax to offer an interest only mortgage at a lower interest rate, to be repaid by the sale of the property. She said Halifax is failing to apply its own lending criteria, which she says they meet.

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.

We offer an informal dispute resolution service. It's not my role to negotiate better mortgage terms for Mr and Mrs C. What I can do is consider whether Halifax treated Mr and Mrs C fairly.

In late 2024 Halifax reviewed Mr and Mrs C's income and expenditure. It said they didn't meet affordability for a mortgage on a capital repayment basis. They didn't meet its criteria for a new interest only mortgage due to Mrs C's age (which is over the maximum age for when the term expires). Halifax doesn't offer lifetime mortgages. It said Mr and Mrs C didn't meet criteria for a referral to its partner that does offer lifetime mortgages. It said this won't change after a three or four year extension.

Mr and Mrs C say they feel like they're going around in circles. While I understand the situation is upsetting, I don't think this is due to errors by Halifax. I think this stems from the fact that Mr and Mrs C are unable to repay their mortgage balance other than through the sale of the property. Mr and Mrs C want to stay in the property, and Halifax can't offer a solution that will allow this.

Halifax discussed Mr and Mrs C's circumstances with them in mid-November 2024, so that it could review what options might be available. It told them it didn't have a solution at that point, but would pass the matter to the underwriters to see if there's anything they could do to help. Halifax made Mr and Mrs C aware that the underwriters meet once per month, so they'd have to wait until early December 2024 for the outcome.

Unfortunately, Halifax wasn't able to offer Mr and Mrs C a solution that would allow them to remain in the property. But I don't think it was unfair for it to ask them for information. It couldn't explore what options might be available without this. Halifax offered a six-month grace period to give Mr and Mrs C more time to sell the property.

Mr and Mrs C say Halifax didn't tell them what its decision was. They say it didn't explain what application was declined, or what criteria they didn't meet. They asked why their application wasn't put to the panel and/or why it was changed to a request for a three-year

extension.

Halifax called Mr C in early December 2024 to let him know the outcome. Mr C wasn't available so Halifax left a message and Mr C called back later that day. I appreciate that Mr and Mrs C didn't agree with the outcome. But I can't fairly agree that Halifax failed to tell them what its decision was.

Mr and Mrs C say they applied for a new contractor mortgage on an interest only or part interest only basis – they believe they meet Halifax's lending criteria for this. They're confused that Halifax referred to a three-year extension, and want to know why their application wasn't put to the underwriters. Halifax said it wouldn't treat Mr and Mrs C's request as a new mortgage application as what they want can be achieved with a term extension. It also pointed out that Mr and Mrs C don't meet criteria for a new interest only mortgage due to Mrs C's age. I'm sorry about the confusion here. But what's important is that Halifax discussed Mr and Mrs C's circumstances with them, so that it could look into what solutions it might be able to offer, and told them it could offer a six-month grace period.

Halifax doesn't have to set out its criteria, which can be commercially sensitive. But it did explain that Mr and Mrs C didn't meet affordability for a mortgage on a repayment basis or meet its criteria for an interest only mortgage due to Mrs C's age. Mr and Mrs C say they shouldn't have to go through an affordability assessment for an existing mortgage. My colleague explained in her final decision why Halifax can fairly consider affordability.

I think Halifax fairly explored what options it might be able to offer Mr and Mrs C. Unfortunately, it can't offer them a solution which will allow them to stay in the property. It seems Mr and Mrs C are unable to remortgage elsewhere, and so their options are limited.

I'd add here that it's not necessarily the case that Mr and Mrs C would be in a better position after a term extension. Property values don't always go up, and they might not find it easier to sell the property or remortgage after an extension. They'd pay interest in the meantime.

In the circumstances, I don't think it's fair and reasonable to require Halifax to offer Mr and Mrs C a term extension or new mortgage with a lower interest rate.

The mortgage term expired in September 2023. It's reasonable for Halifax to expect Mr and Mrs C to repay the debt. Halifax put holds on the account to allow Mr and Mrs C time to sell the property. I think that's fair. I'm sorry that Mr and Mrs C have been unable to sell the property or remortgage. But I can't fairly require Halifax to hold recovery action indefinitely.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C and Mr C to accept or reject my decision before 8 October 2025.

Ruth Stevenson
Ombudsman