

## **The complaint**

Mrs F and Mr F complain that OneSavings Bank Plc trading as Kent Reliance agreed to put their mortgage onto an interest-only basis for six months, then change it permanently from repayment to interest-only. But it didn't, causing distress and credit file impacts.

## **What happened**

Whilst this complaint is brought by both Mr and Mrs F, as the mortgage is in both their names, our dealings have been with Mrs F. So I'll mainly refer to her in this decision.

Mrs F took out a repayment mortgage with Kent in 2021. She said she'd asked Kent in late 2023 to apply the Mortgage Charter to her mortgage. That's a government-backed concession introduced to help with the cost of living crisis. It allows mortgage lenders to change a borrower's payments to an interest-only basis for a six month period, without any formalities, and ensuring there's no impact on their credit file. But Mrs F said Kent never put this concession onto her mortgage. She said she kept paying on an interest-only basis, but as Kent was still expecting the higher payments due when the mortgage was on a repayment basis, she accrued arrears. And she told us those arrears then meant Kent later wouldn't allow her to access the Charter.

Mrs F said when she complained, Kent told her it would change her mortgage permanently from repayment to interest-only. But she said Kent didn't do that either, and because she kept on paying the monthly amount which would be due if the mortgage was on interest-only, Kent is now chasing her for mortgage arrears.

Mrs F said Kent had been asking her to send income information as part of its procedure to see if she could be changed to interest-only, but she was not comfortable sharing that. She wanted us to get Kent to do what she had understood it had promised – to just change her mortgage to interest-only.

There has been some discussion about Kent's position on this complaint. At first, our investigator understood that Kent had put Mrs F's mortgage onto the Mortgage Charter, providing an interest-only period of six months as part of that scheme. But Mrs F said it hadn't, and Kent has now clarified that it hasn't done this. It's offered to put that right.

However, Kent says that it never told Mrs F that it would simply switch her mortgage from repayment to interest-only on a permanent basis. It says it had always said it would need Mrs F to complete some paperwork, then it could consider her application.

Our investigator thought this complaint should be upheld in part. He said Kent had agreed to put Mrs F on the Mortgage Charter from November 2023, so he thought Kent should do that. But that wasn't a permanent change, and our investigator said Kent was right to say any permanent change would have to be fully assessed. He noted that it's risky to take out an interest-only mortgage, so he said there are strict rules that Kent must follow, before agreeing to any such mortgage. The lender has to be able to see that the mortgage will be repaid at the end of the term, and also that customers will be able to do this without losing their home. So this isn't the sort of change he would expect to be put in place after a quick

chat over the phone.

Our investigator also thought Kent had caused Mr and Mrs F distress and inconvenience, so it should pay them £300 in compensation. But he said if Mrs F still wanted to change her mortgage to interest-only, she'd need to apply for this so Kent can assess this.

Kent agreed to that, but Mrs F didn't. She said Kent had done nothing to facilitate either the Mortgage Charter or a permanent change to interest-only. And she didn't think the limited changes our investigator had asked Kent to make, would put things right. She said she wanted Kent to remove all the negative marks it had put on her and Mr F's credit files, and she wanted a set process for Kent to go through, to achieve a permanent change from repayment to interest-only. Mrs F said that Kent had promised at the outset that her mortgage could be changed to interest-only, and that's what she wanted now.

Because no agreement was reached, this case was passed to me for a final decision. And I then reached my provisional decision on this case.

### **My provisional decision**

I issued a provisional decision on this complaint and explained why I did propose to uphold it in part. This is what I said then:

This mortgage was taken out on repayment basis, in 2021. I note that Mrs F now says she was forced to take a repayment mortgage at the time, and didn't feel she could afford this. She says she always really wanted an interest-only mortgage. But Kent says Mrs F took this mortgage out through a broker, so it isn't responsible for the basis on which Mrs F applied for lending. I think this relevant for current purposes simply because Mrs F now says she has always considered this mortgage isn't affordable for her.

Mrs F has had a number of previous discussions with Kent about her mortgage, and difficulties she's having meeting the monthly payments. Her account was in an arrangement from April until September 2023, which was agreed with Kent, so that she would pay interest-only during this period. This appears to have been set up partly retrospectively.

The credit file reporting Kent has shown our service doesn't match this arrangement, with the mortgage currently showing as in an arrangement ("AR") from August 2023 to January 2024. Although Mrs F hasn't complained about this to date, I think it's in the interests of both sides if this issue is resolved now. So I will ask Kent to amend the credit file reporting for this mortgage to show an arrangement from April 2023 to September 2023 inclusive.

After this period was up, Mrs F asked about keeping her mortgage on an interest-only basis for a further six months, under the Mortgage Charter. Kent said Mrs F could be switched to interest-only under the Mortgage Charter, but this couldn't happen until November. Mrs F complained about this. She said she'd mentioned wanting to access the Mortgage Charter to Kent earlier, and it hadn't warned her how long this would take to set up.

On 19 December 2023 Kent spoke to Mrs F about her complaint. In that call, the complaint handler said Kent would uphold Mrs F's complaint, because it hadn't made her aware that putting the Mortgage Charter onto her mortgage would take 15 days, and when she did apply too close to her October payments, Kent didn't check if it could take any steps to avoid her having to make the full payment that month.

Kent said it would put Mrs F on the Mortgage Charter from November 2023, and would remove any impact from her credit file. And it said it would write to confirm everything which had been discussed. Kent also said it would look to work with Mrs F to get her onto interest-only on a longer term basis.

When Mrs F asked for clarification on whether she was going onto the Mortgage Charter or a permanent interest-only arrangement, the agent said that the Mortgage Charter would only be temporary, and he didn't want Mrs F to be back in the situation of not being able to meet her monthly payments at the end of that period.

I don't think Kent actually told Mrs F on this call that she would simply be switched to interest-only on a permanent basis. But I also don't think Kent was as clear on this call as it should have been, that Mrs F was not being granted a permanent change to interest-only, and that she would have to go through a formal application process before Kent would consider this request.

Kent sent Mrs F a final response letter dated 18 December 2023, which said the following –

*I have referred your case to our Management Team, who have agreed to waive the arrears and backdate the interest-only payments to November 2023. Please allow 5 – 10 working days for this to be processed and updated on your account. In addition, our Servicing Team will work with you to get your mortgage changed to interest-only on a permanent basis as soon as possible.*

*Please note I have also referred your account to our Credit Bureau Team to remove any arrears because of this situation. Please allow 60 days for your credit file to be updated.*

Mrs K had understood this meant she was being put onto the Mortgage Charter in the interim, and that Kent would then make a permanent change to interest-only. I think, in the light of the conversation she'd had on the same day the letter was sent, it is understandable why she had got that impression. But I don't think that's what Kent intended. I think it intended to grant Mrs F the Mortgage Charter concession for six months, then to follow up with her to see if her mortgage could be changed to interest-only for the longer term.

However, we now know Kent didn't apply the Mortgage Charter either. Given the commitments Kent made in December 2023, I think Kent should rework this mortgage now, to put it onto interest-only for October 2023, and then apply the Mortgage Charter from November 2023 to April 2024, inclusive.

In February 2024, Mrs F complained that her mortgage hadn't been put onto interest-only on a permanent basis. Kent said it wouldn't simply switch her mortgage to interest-only permanently, it wanted to know more about her financial position first. So at the end of February 2024, it sent her a pack to complete, to apply for a change to interest-only.

I don't think that Kent had to simply switch this mortgage to interest-only, just because its communications in December 2023 were not sufficiently clear on this point, and left Mrs F with the impression it would just make the switch. A change to interest-only is a significant shift in the mortgage, and I think it's reasonable for Kent to say it wanted to know more about Mrs F's position before it would agree to this change. I would expect it to ask about her current financial position, and also how she would repay the lump sum left on the mortgage at the end of its term.

Mrs F told Kent she'd received this pack, but she indicated in March she wasn't intending to complete it, because she felt Kent had already agreed to change her mortgage over. I can see notes of other conversations after this, when Kent repeated that it would need Mrs F to provide the requested information before it could consider whether her mortgage could be changed to interest-only. And on 27 June 2024, Kent sent a complaint response letter to Mrs F, which said clearly that Kent had previously told Mrs F *"we required you to complete documents for us to look at changing your payments to IO on a permanent basis."*

I've set out why I think that, before this letter was sent, Mrs F had expected a permanent change to interest-only to be made without going through formalities. I think that all the confusion around this has caused Mrs F some distress, so I think Kent should pay £300 in compensation, to make up for that.

However, after the letter issued on 27 June 2024, I think it was clear that Kent would not agree to a permanent change to interest-only on this mortgage, without further information being provided by Mrs F. And I think it was then also clear that Kent had never intended to give Mrs F the impression it would just switch the mortgage to interest-only with no application being made.

Mrs F had continued to pay her monthly mortgage payments at the level which would be charged on an interest-only basis, not a repayment basis. So arrears had accrued. Because of the confusion caused in December 2023, I think Kent should treat Mrs F's mortgage as if it remained on interest-only after the Mortgage Charter period ended in April 2024, until the end of June 2024. So it should rework this mortgage accordingly, and remove any arrears it has reported to credit reference agencies, if Mrs F had kept up with interest-only payments during this time.

But after this letter dated 27 June, I think Kent's position was clear. And I think it had already sent Mrs F the forms she needed to complete to apply for a permanent change from a repayment mortgage to interest-only. We know that Mrs F didn't increase her monthly payments to cover repayment of the mortgage, or submit the relevant forms then. She complained to our service some months later, in October 2024.

I can see why there would be a misunderstanding about what Kent was going to do, after December 2023. But by the end of June 2024, I think Kent's position had been made clear. So I don't think it would be fair and reasonable, in all the circumstances of this case, to ask Kent to make any amendments to Mrs F's mortgage or to her credit file after June 2024.

Kent said that in late 2024, it had some difficulties contacting Mrs F, and it asked a field agent to attend her home in early 2025. I understand Mrs F spoke to Kent after this, in April 2025, and provided information over the phone for it to assess whether her mortgage could be changed to interest-only. The figures she gave suggested she could not afford the mortgage at all, even if it was changed to interest-only. Mrs F said she would supply bank statements for three months, so that Kent could check the figures she'd given. When Kent last updated our service, she had not yet sent these bank statements.

Whenever Mrs F does send her bank statements, I would expect Kent to continue to process, and in due course to consider, her request. I am not directing that Kent must agree to this request.

The changes I've asked Kent to make in this decision will reduce the existing arrears on this mortgage, and lessen the impact of Mrs F's underpayments on her credit file. But it won't eliminate the arrears or all the credit file impact. And it won't bypass Kent's usual checks on whether it can agree to an interest-only mortgage for Mrs F. So I understand that this falls well short of what Mrs F would like in this case. But I don't think it would be fair and reasonable to compel Kent to make a significant change to her mortgage, without its usual checks. And I don't think it would be fair and reasonable for me to hold Kent responsible for any continued misunderstanding about its intentions, after the end of June 2024, when I think it had made its position clear.

I invited the parties to make any final points, if they wanted, before issuing my final decision. Both sides replied.

### **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.

Kent acknowledged receipt of my provisional decision, and said it would respond, but didn't do so before the deadline set out in the decision. I do now think it's appropriate to bring this case to a conclusion.

Mrs F did reply. She said that she hadn't sent in her bank statements to Kent yet, as she'd had a family bereavement recently. I'm sorry to hear that.

Mrs F said our investigator had told her that if our service determined that she should have been on interest only the whole time, that Kent would need to rework the account.

Mrs F said she'd kept in touch with Kent throughout, and said what she was paying was all she could afford. She didn't think a judge would allow Kent to repossess the property as she'd been paying something towards the mortgage each month.

Mrs F said that when the investigator changed his mind, this case shouldn't have been passed to me, as Mrs F indicated she agreed that the account should be reworked if it was clear it should have been on interest-only since the end of 2023.

Mrs F said she had a good understanding of mortgages, and she said Kent was still giving the impression that it just needed documents from her as a formality, not for the purposes of an assessment. And she repeated that the original complaint handler had agreed the mortgage needed to switch to interest only.

Mrs F said it was very clear that the monthly payments were not affordable for her while the mortgage was on repayment, and she wanted to know why no one had sorted this out.

Mrs F said the investigator should have stopped this case being passed to an ombudsman when he realised that Kent had lied to him. She said again that the investigator had told her, if our service said this mortgage should have been on interest only since December 2023, then we would ensure the entire account was reworked to date.

As I set out in my provisional decision above, there was some confusion in this case, and at first, our investigator understood that Kent had put Mrs F's mortgage onto the Mortgage Charter, providing an interest-only period of six months as part of that scheme. But Mrs F said it hadn't, and Kent then clarified that it hadn't done this. Our investigator didn't pass this case to me at this stage, rather, he reached a revised view based on Kent's clarification of

what it had done to date. It was when Mrs F disagreed with his conclusions in that second view, that the case was passed to me.

Mrs F has said our service told her that if we decided her mortgage should have been on interest-only since December 2023, we would tell Kent to rework it. And it's right to say that whatever decision our service reaches, if it is accepted by Mr and Mrs F, it is then legally binding on Kent. However, the important point here is that our investigator only explained to Mrs F what could happen if our service agreed with all the arguments she was raising. And in reaching my final decision here, I haven't agreed fully with everything Mrs F said.

My decision is that Kent did cause some confusion on the phone, in December 2023, about what it was going to do with Mrs F's mortgage. Importantly, I don't think Kent did offer to just put Mrs F's mortgage on interest-only with no checks. But I thought some unclear language used by Kent could have given Mrs F that impression. Because of that, I asked Kent to extend the interest-free period on Mrs F's mortgage until the time when it had clearly corrected this impression. But my decision doesn't oblige Kent to rework Mr and Mrs F's mortgage beyond June 2024. I still think that provides a fair and reasonable outcome in Mr and Mrs F's case.

I hope that Mr and Mrs F will now be able to complete their application for an interest-only mortgage. It will then be for Kent to reach a view on whether it's appropriate to make that change. And I also hope my decision is clear that I am not instructing Kent to make such a significant change to this mortgage, without its usual checks.

For the above reasons, I haven't changed my mind. I'll now make the decision I originally proposed.

### **My final decision**

My final decision is that OneSavings Bank Plc trading as Kent Reliance must –

- amend the credit file reporting for this mortgage to remove the existing period of payment arrangement from August 2023 to January 2024, and replace this with a payment arrangement from April 2023 to September 2023 inclusive;
- rework this mortgage, to put it onto interest-only for October 2023, and then apply the Mortgage Charter from November 2023 to April 2024, inclusive, removing any credit file marks which are inconsistent with this;
- continue the period of interest-only for May and June 2024 only, removing any credit file marks which are inconsistent with this;
- pay Mrs F and Mr F £300 in compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs F and Mr F to accept or reject my decision before 7 July 2025.

Esther Absalom-Gough

**Ombudsman**