

## The complaint

Ms L's complaint is about a mortgage she and her ex-husband have with Clydesdale Bank Plc trading as Virgin Money. Ms L doesn't believe that she has been treated fairly following an interest rate product ending at the beginning of 2024 as she considers that Virgin Money didn't act with the appropriate level of care, given that she is a vulnerable consumer. Ms L has explained that this lack of care has had a detrimental effect on her physical and mental health and has meant that she's having to sell her home.

The joint mortgagor, Mr G, has consented to the complaint, but all of our dealings have been with Ms L, and it is her interactions with Virgin Money that are the subject of the complaint.

## What happened

Ms L and Mr G took out a repayment mortgage with Northern Rock in 2006. Ms L has told us that shortly after the mortgage was advanced their relationship ended, and she has been responsible for the mortgage ever since. The lender changed the mortgage to an interest-only basis to make it affordable for Ms L and it has remained on that basis. The mortgage was subsequently transferred to Virgin Money.

Ms L added interest rate products to the mortgage over the term – the latest of which was added in late 2018, which provided her with a fixed rate until 1 January 2024. The offer produced at the time detailed that when the product ended, the mortgage would be charged interest at 0.25% below Virgin Money's Standard Variable Rate (SVR).

Virgin Money wrote to Ms L in September and December 2023 to remind her that the existing interest rate product was about to end. In January 2024 Ms L's mortgage reverted to SVR and the monthly payments increased significantly. She wasn't able to pay the whole amount, and the mortgage went into arrears and has stayed that way. Ms L subsequently informed Virgin Money that she had been unable to work since November 2023 due to her medical situation.

Ms L contacted Virgin Money at the end of January 2024. She explained she could not afford the new monthly payments and complained that she had not been told about the change to the interest rate. Virgin Money logged a complaint for her and Mr G to complete a budget planner so that it could assess if it could do anything to assist with the mortgage.

Virgin Money tried to speak to Ms L about the situation in March 2024 after the budget planners were returned. It spoke to her three times. Ms L explained that her medical situation might mean that she couldn't complete calls, so Virgin Money offered alternative ways to communicate. It also sent Ms L a copy of the budget planner to amend, as she'd said the situation with some of her unsecured debts had changed. Ms L was to return the updated budget planner to Virgin Money by email.

On 22 March 2024 Virgin Money responded to the complaint. It confirmed that it had reminded Ms L that her product was about to expire. The complaint was not upheld. Virgin

Money explained that if Ms L wanted us to consider her complaint, she needed to refer the matter to us within six months of the complaint response – so by 22 September 2024.

In early June 2024 Ms L contacted Virgin Money again. She gave it a new correspondence address. She explained that as she could not afford the mortgage, she was going to put the property up for sale and had moved in with a relative due to her health. Ms L questioned why she had heard nothing after returning the budget planner. Virgin Money put in place a concessionary reduced interest rate from 1 July 2024.

The following day, Virgin Money went through the budget planner with Ms L and it was agreed that Ms L could pay less than the contractual payment for June 2024. Virgin Money also said that it would ensure no calls were made to Ms L during June, as she'd explained that sometimes she had difficulty coping with calls.

Ms L put the mortgaged property on the market in the middle of July 2024. The budget planner was updated, and it then showed that Ms L couldn't afford to pay the mortgage. As such, Virgin Money offered a nil-payment arrangement for July, which would be reviewed the following month. Virgin Money tried to speak to Ms L in August for an update, but it was not able to. The nil-payment arrangement was extended to cover August. From mid-September Ms L emailed updates about the sale of her home. Ms L has told us that she has continued throughout to make payments of as much as she can afford.

Ms L raised a new complaint with Virgin Money at the beginning of November 2024. She complained that it hadn't provided appropriate support, given her circumstances. This included Virgin Money not highlighting options available under the Mortgage Charter that might have helped her, such as extending the mortgage term to reduce the monthly payments.

Virgin Money responded to the complaint in an email of 12 December 2024. It said that it felt its staff had done their best to try and help Ms L.

Ms L was not satisfied with the response she received and contacted this Service. She explained that she didn't think Virgin Money had provided the support it should have, given she was a vulnerable customer, and it had not told her about options the Mortgage Charter could provide, that might have helped her situation. In addition, Ms L said that she thought it was unfair that Virgin Money had not given her a lower interest rate because she didn't meet its criteria, which meant that she's had to put her house up for sale.

Virgin Media confirmed that the concessionary interest rate arrangement Ms L had been put on in June 2024 had been available since April 2023. The eligibility criteria at that time had been very strict, but from April 2024 this was relaxed and meant that it was able to give it to Ms L when it spoke to her in June 2024. Virgin Media said that had it spoken to Ms L in April 2024 she would have been eligible for the concessionary rate to be applied to the mortgage from 1 May 2024.

One of our Investigators looked into the complaint and concluded that we could not consider the issues that had been covered by the 22 March 2024 final response letter. This was because the complaint had not been referred within six months of the letter, and he didn't consider there were exceptional circumstances that would allow us to waive the time limit. In relation to the remainder of the complaint he recommended that it be upheld in part. He concluded that Virgin Money should backdate the concessionary interest rate to 1 May 2024.

Both parties accepted the Investigator's conclusions regarding our jurisdiction and the recommendation for the concessionary interest rate to be backdated. However, Ms L asked that she be compensated for the stress and upset Virgin Money had caused her.

Virgin Money offered to pay Ms L £100 for the upset caused by it not having applied the concessionary interest rate to the mortgage as early as it could have. The Investigator considered this offer and concluded it was appropriate. He recommended Ms L accept the offer, but she did not agree. She asked that the complaint be moved to the next stage of our process and said that because of the amount of time the matter had taken, the fact that she was having to sell her home, and the detrimental effect the situation had had on her mental health, she should receive £3,000 compensation.

The Investigator considered what Ms L had said, but it did not change his conclusion that the compensation amount offered was fair in the circumstances. As such, the complaint has been passed to me to consider.

### **What I've decided – and why**

We review our jurisdiction at each stage of a complaint. Having done so, I am in agreement with the Investigator that the part of Ms L's complaint addressed in the 22 March 2024 final response letter does not fall within our remit.

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

Initially, I would explain that the Mortgages and Home Finance: Conduct of Business Sourcebook (known as MCOB) sets out at MCOB 13 what lenders are required to do to help borrowers in arrears. A lender is required to explore ways to resolve an arrears situation, especially if the problem that created the arrears to begin with is one that looks to be short-term and capable of being resolved.

For long-term difficulties, a lender must also look at other ways to help, such as transferring a mortgage from capital and interest repayment to interest-only for a period, deferring interest for a period of time or capitalisation of arrears. Balanced against that is the lender's obligation to ensure that any arrangement is affordable and sustainable. The requirement for a lender to try to help a borrower doesn't mean that a consumer should be given whatever they ask for, but rather the lender needs to determine if it can put forward any proposals that will actually help the consumer and not just postpone the inevitable if the mortgage isn't and won't be affordable going forward.

When Virgin Money was made aware that Ms L couldn't afford the increase in the monthly payments after her fixed rate product ended, it did what I would expect it to have – it asked Ms L and Mr G for information about their income and expenditure to establish what, if anything, it would be able to do to assist. While Ms L returned the budget planner in March 2024, by the time she spoke to Virgin Money, it was out of date because she had reached arrangements in relation to some of her unsecured debts. As such, she was asked to update it. It is not clear when that updated version was received by Virgin Money. However, when it was assessed, it was determined that Ms L could not afford the monthly mortgage payments. Temporary payment arrangements were put in place thereafter and the interest rate was adjusted to help her too. I would not have expected Virgin Money to do any more than this, in the circumstances.

That said, as the Investigator concluded, given Virgin Money was aware of Ms L's situation, the interest rate concession could have been put in place earlier than it was. While this would not have solved the situation Ms L was in – that she could not afford the mortgage – it may have eased some of the worry that situation was causing her, as it would have meant the arrears were not building as quickly.

I am pleased to see that both parties have accepted that backdating the interest rate concession to 1 May 2024 is the appropriate way to settle this complaint in relation to the financial loss Ms L has suffered. I agree that it is appropriate in the circumstances of the complaint.

I now turn to the matter of compensation. Ms L has asked for £3,000 because of the amount of time the matter had taken to be resolved, the fact that she is having to sell her home, and the detrimental effect it's had on her mental health. I have considered what Ms L has to say carefully, however, I would explain that when we consider compensation we make awards based on the impact of the error made by the financial business. In this case I do not doubt that Ms L was very worried about her situation, but she has also confirmed that her financial difficulties started in 2023 due to her health situation meaning that she wasn't able to work. She has confirmed that this meant that she had to pay her staff more and so could not draw as much income from her business.

In addition, Virgin Money is not responsible for the fact that interest rates have increased across the industry since Ms L took out her previous interest rate product. So whether Ms L had chosen to add a new interest rate product to the mortgage when the old one ended or not, her mortgage payment was going to increase significantly. So it would appear that the mortgage was, from January 2024, likely to be unaffordable for Ms L simply because of the changes that were beyond Virgin Money's control. While Ms L asked that Virgin Money give her the same interest rate as she had previously had, that product was no longer available for Ms L or any of its other customers, so it was not something she could have. I accept that the situation she was in was very stressful and it would have been very upsetting to make the decision that she needed to sell her home, but I can't find Virgin Money responsible for the upset and stress caused these events, or the effect it had on Ms L's health.

I can only make an award for the additional stress and upset the two-month delay in the concessionary rate would have added to the already stressful situation Ms L was in. I know this will disappoint her, but I consider the £100 Virgin Money offered is appropriate and proportionate in the circumstances.

### **My final decision**

My final decision is that I uphold this complaint. In full and final settlement, I require Clydesdale Bank Plc trading as Virgin Money to backdate the concessionary interest rate to 1 May 2024 and pay Ms L £100 compensation.

Under the rules of the Financial Ombudsman Service, I am required to ask Ms L and Mr G to accept or reject my decision before 21 August 2025.

Derry Baxter  
**Ombudsman**