DRN-5631360

Financial Ombudsman Service

The complaint

Mr and Mrs J are unhappy with the lack of support provided to them by Bank of Scotland plc trading as Halifax, leading up to and following the end of their mortgage term.

What happened

Following advice from a third-party broker, Mr and Mrs J took out an interest only mortgage with Halifax in 2007. They borrowed £382,500 plus £999 for fees to be repaid over a term of 17 years. The initial interest rate was fixed at 5.14% until June 2009, after which a variable rate would apply.

There were times that the contractual monthly payments weren't always made in full or on time. And that led to some arrears building up on Mr and Mrs J's mortgage, which Halifax later agreed to capitalise.

Mr and Mrs J took out a new interest rate in or around December 2015 through a broker. It was fixed at 2.44% until April 2018. By this point the mortgage balance had increased to around £410,000. Around £384,000 was on an interest only basis, with the remaining borrowing on a capital repayment basis.

In or around May 2018 Mr and Mrs J took out a new fixed rate of 2.59%, again through a broker, which would apply until July 2023 – after which it would revert to a variable interest rate. At this point they had around five years and 11 months remaining on their mortgage term and their total borrowing was around £404,000. Just over £384,000 of their mortgage remained on an interest only basis.

Halifax wrote to Mr and Mrs J in May 2019 and May 2021 asking them to get in touch about their plans to repay the interest only part of their mortgage. The end date of the mortgage was shown as 19 May 2024 in both letters.

Mr and Mrs J spoke with Halifax, both with a branch mortgage adviser and over the phone with Halifax's collections and end of term teams on several occasions from around June 2023 onwards. They enquired about obtaining a new fixed rate and the possibility of extending the mortgage term, but Halifax said it was unable to do that. Mr and Mrs J's contractual monthly payment increased significantly.

Mr and Mrs J complained to Halifax in March 2024 as it hadn't given them the option of extending their mortgage term including under the mortgage charter. And they felt they'd been fobbed off by Halifax's branch adviser when asking for help regarding their interest rate and mortgage term. Halifax didn't uphold the complaint as it said the mortgage charter doesn't apply to interest only mortgages. It also sent a Summary Resolution Communication ('SRC') to Mr and Mrs J on 5 March 2024.

Conversations between Mr and Mrs J and Halifax continued about Mr and Mrs J's circumstances. Halifax noted that Mr and Mrs J's financial position was worsening, based on the information provided. And arrears were growing because the payments being made were not covering the contractual monthly payment. However, it agreed to hold off taking further action as Mr and Mrs J were in the process of selling their property to repay the mortgage.

In November 2024 Mr and Mrs J told Halifax they had agreed to sell their property for £570,000. Mr and Mrs J complained to Halifax a short time later in December 2024 because they were unhappy with the support it had offered. They felt it should have extended the term of their mortgage, and that it didn't support them when their fixed rate ended. By the time of their complaint around £30,000 of arrears had accrued on Mr and Mrs J's mortgage.

Halifax didn't uphold the complaint. It said the matter had been considered by its end of term team and it was unable to extend the term of Mr and Mrs J's mortgage. It sent an SRC to Mr and Mrs J on 14 December 2024.

Mr and Mrs J didn't agree, so they referred their complaint to the Financial Ombudsman Service. Our Investigator said we couldn't consider Mr and Mrs J's complaint about Halifax not giving them support in line with the mortgage charter. But he said we could investigate Mr and Mrs J's concerns they'd raised in December 2024 about the support offered by Halifax. He concluded that Halifax hadn't acted unfairly when not agreeing to extend the term. And he felt Halifax had provided reasonable support in the circumstances.

Because Mr and Mrs J disagreed with the Investigator's view, they asked for the complaint to be reviewed by an Ombudsman. So, the case has now been referred to me to decide. I set out in a separate decision that we can only consider some parts of Mr and Mrs J's complaint, and why. In this decision I have set out my findings on the parts of the complaint we can consider.

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.

I'm sorry to hear about the challenging situation Mr and Mrs J are facing. However, while I appreciate it'll come as a disappointment to them, I find that I agree with the Investigator and for broadly the same reasons – I don't think Halifax has acted unfairly. I'll explain why.

By March 2024, arrears of around £15,000 had accumulated on Mr and Mrs J's mortgage and the agreed term was also due to come to an end in May 2024. The starting point where an interest only mortgage term has come to an end is that the lender, in this case Halifax, is entitled to expect the mortgage to be repaid in full. That's what Mr and Mrs J agreed to do when they took out this mortgage. Halifax should, however, provide support and forbearance such as allowing more time for Mr and Mrs J to put their plans in place, where appropriate. So, I've kept this in mind when deciding if Halifax has acted fairly.

The arrears on Mr and Mrs J's mortgage had grown to around £35,000 by January 2025 and they were still trying to put in place plans to repay their mortgage. While I appreciate the arrears were in part due to Mr and Mrs J's contractual monthly payment (CMP) increasing significantly in 2023, I can also see that even if the CMP hadn't increased the payments Mr and Mrs J have been making are far short of what would be required – even on their previous fixed rate. This alongside the information Mr and Mrs J have provided to Halifax shows their financial position is worsening.

This is an important factor for a lender when considering what it can do to support customers that have come to the end of their interest only mortgage term and where they are in financial difficulties. That's because before it can agree to a change, such as extending the mortgage term, it needs to determine if it would be in the customer's best interests. And part of considering that is to think about whether the proposed change will be affordable.

Changing the interest rate to a fixed rate, for example, would reduce Mr and Mrs J's CMP. But the shortest product term Halifax offers on its fixed rates is a period of 24 months, meaning the mortgage term remaining would need to be long enough to accommodate that. As Mr and Mrs J's mortgage had come to an end, they weren't eligible for a new interest rate product. Even if they were, they would still need to repay their mortgage as soon as possible and if they didn't do that, Halifax may seek to repossess their property. Repaying the mortgage within the fixed rate period would lead to them incurring an early repayment charge (ERC) – increasing the amount they'd need to repay. Halifax doesn't offer interest rate products without an ERC.

I also note that the interest rates Halifax has had available since March 2024 (and also since Mr and Mrs J's previous product came to an end in 2023) wouldn't reduce their CMP to an amount they could afford. This is in part because interest rates generally are higher now (and have been for a number of years) than they were when Mr and Mrs J took out their previous fixed rate. But it's also because their payment history and the financial information they've shared with Halifax shows they'd be unable to afford to make even the lower payments that'd be required. Because of this, I can't see that offering Mr and Mrs J a fixed rate would be in their best interests.

Mr and Mrs J have an interest only mortgage and extending the term would have no impact on their monthly payments. If Halifax was to agree to extend the mortgage term it would mean Mr and Mrs J would need to pay more interest overall. And, for the same reasons I've set out above, it would also mean that Halifax would be agreeing to something that was unaffordable for Mr and Mrs J – with extending the mortgage on a capital repayment basis being even more unaffordable. So, while I appreciate Mr and Mrs J would prefer to remain in their home for longer, I can't see that extending the mortgage term – with or without a new interest rate product – would be in their best interests. I can't, therefore, fairly require Halifax to do so.

Mr and Mrs J have referred to the government's mortgage charter, so I've considered whether this changes anything for the period I can consider. But I don't think it's relevant to Mr and Mrs J's situation. The mortgage charter is aimed at borrowers in financial difficulty because of the cost of living crisis – not at borrowers who have come to the end of the term of an interest only mortgage. Mr and Mrs J may argue that they are being impacted by the cost of living crisis and I do not doubt that. But the predominant issue here is that their interest only mortgage has come to an end.

The mortgage charter applies only to borrowers who are up to date with their mortgage payments, which Mr and Mrs J have not been during the period I can consider. Because of this, I'm satisfied the mortgage charter doesn't apply and that it doesn't change the outcome of this case.

I can see Mr and Mrs J have been trying to sell their property and find a suitable new home to move to. It appears they've encountered some challenges in doing that, in part because they want to secure a new property before they complete on the sale of the mortgaged property. Halifax has agreed to hold off taking further action on several occasions to allow Mr and Mrs J more time to make those arrangements and to look into other options, such as refinance. I think it has acted fairly in doing that and I'm unable to agree that it hasn't provided reasonable support to Mr and Mrs J.

Mr and Mrs J's mortgage is now over a year past its agreed term and, based on the available evidence, is clearly unaffordable for them. I haven't seen anything to suggest Mr and Mrs J are closer to a plan to repay the mortgage than they were when they made this complaint either. While I would expect Halifax to continue treating Mr and Mrs J fairly and reasonably, offering forbearance and allowing more time where appropriate, it isn't required to do so indefinitely. It is possible Halifax will begin litigation if Mr and Mrs J’s plan to repay the mortgage doesn’t come to fruition. I hope that isn’t necessary and that Mr and Mrs J can find a way forward.

Finally, I appreciate Mr and Mrs J feel strongly that matters out of their control, such as the impact of the “mini budget” in 2022 on interest rates generally, have led to the issues they are now encountering. But those concerns relate to decisions made by the government and not by Halifax. So, it isn’t something I can hold Halifax responsible for.

My final decision

For the reasons I’ve explained, my final decision is that I don’t uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr J and Mrs J to accept or reject my decision before 20 August 2025.

Keith Barnes
Ombudsman