DRN-5696430

The complaint

Mr K is unhappy that Leeds Building Society (LBS) says he still has an amount outstanding on his mortgage, that it says needs to be paid.

What happened

Mr K says he originally took out a mortgage in 1981. The mortgage was with a lender that was a predecessor to LBS.

Mr K has provided us with an account statement for the period ending 31 December 1982, which shows that the balance on 1 January 1982 was £13,151.69 and that the balance on 31 December 1982 was £13,143.52.

A mortgage statement dated 15 February 2003 shows the balance at 1 January 2002 was £7,765.71 and that the balance at the end of that year (after interest applied and payments to the account) was £7,739.06.

A mortgage statement issued in February 2006 shows that the mortgage at that point was made up of three parts. One interest only, with an outstanding balance at that point of £7,321.78. And two parts repayment, with combined outstanding balances at that point, of just over £29,000.

LBS says its records show that this interest only part of the mortgage was due to expire in 2006, but that this was extended to 2020.

LBS tried to contact Mr K in the lead up to the extended term on the interest only part of the mortgage coming to an end, and after. Mr K responded to an e-mail sent in December 2021, to say that he couldn't understand how LBS was saying he still owed approximately 50% of the price he paid for the property in 1981. After LBS continued to say that the balance remained outstanding, Mr K remained concerned, and LBS treated the matter as a complaint.

LBS sent Mr K a letter explaining why it considered that the balance remained outstanding. Mr K eventually referred the matter to the Financial Ombudsman Service. LBS initially raised concerns that the referral to the Financial Ombudsman Service had been made outside of the six-month limit that applied.

An Investigator here issued an assessment saying they thought Mr K had referred the matter to the Financial Ombudsman Service outside of the time limits that apply. Mr K disagreed and the matter was passed to me to make a decision on whether the case was one that we could consider.

I wrote to LBS to explain that I thought there was doubt that Mr K had seen LBS's original complaint response and that this indicated that the reason the complaint hadn't been referred in time was due to exceptional circumstances. LBS consented to the Financial Ombudsman Service considering the merits of Mr K's complaint, on that basis.

The case was passed back to the Investigator to make an assessment on the merits of the complaint. The Investigator didn't uphold the complaint. In summary, they said that LBS had shown an interest only balance remained outstanding, and it had made Mr K aware that the mortgage had been made up of three parts, one interest only and two repayment.

Mr K disagreed with the outcome. He provided more information about his circumstances over time, and said that he'd been unaware the original mortgage was interest only.

He said he wasn't advised of this in 2002, when he took out a further advance on the mortgage to buy out his ex-wife's 'share'. And that if this had been made clear to him, he'd have reacted differently.

Mr K also said someone else must have taken out the third element of the mortgage (one of the two repayment accounts) as he hadn't agreed to that loan. He said questions needed to be asked about that. He added that the only statement he could remember seeing since the mid 1990's, was the one he received in 2025.

As the matter remained unresolved, it has been passed to me to make a decision.

The Investigator clarified to Mr K that this complaint was centred on the outstanding balance of the interest only part of the mortgage. And that if Mr K wanted to pursue the concerns he's raised about the 'third' part of the mortgage, he'd need to direct this to LBS in the first instance.

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 done so, I've reached the same overall outcome as the Investigator, for broadly the same reasons. I appreciate this will come as a disappointment to Mr K and that he feels strongly about the matter. But I hope my explanation helps him to understand why I've reached the conclusion I have.

Before I explain why, I want to set out the purpose of my role. It isn't to address every single point that's been made to date. Instead, it's to decide what's fair and reasonable given the circumstances of this complaint.

For that reason, I'm only going to refer to what I think are the most salient points when I set out my conclusions and my reasons for reaching them. But, having considered all of the submissions from both sides in full, I will continue to keep in mind all of the points that have been made, insofar as they relate to this complaint.

In thinking about whether it is reasonable for LBS to pursue Mr K for what it says is the outstanding balance of the mortgage, the key issue is whether the evidence suggests that the balance of the mortgage is outstanding. And whether the outstanding part of the mortgage was and is interest only.

LBS has told us that it only has records going back to 2001, and that it doesn't have anything from before then. This is not particularly surprising or unreasonable.

I acknowledge that Mr K says that he was unaware the original mortgage was interest only. However, the annual statement from 1982, that he provided, shows the payments made to the mortgage and the interest applied. The statement shows that, after payments made and interest applied, there was very little difference between the balance at the start and end of that year. This is what you would expect to see with an interest only mortgage.

The mortgage statement from 2003 is similar in that the balance at the start and end of the year is once again virtually the same.

The mortgage statement from February 2006 sets out that the mortgage was split into three parts at that time. Two parts were repayment, and the other interest only. At that point in time, the interest only balance was almost identical to the balance shown in the 2003 statement.

Taken together, the statements indicate that the original mortgage was interest only, and remained interest only.

It's unclear why the interest only balance reduced from around £13,000 in 1982 to around £7,000 in 2003. One explanation would be that some capital repayments were made between those two points in time. Regardless, this doesn't affect the outcome.

LBS says the original interest only part of the mortgage was due to expire in 2006. Neither party has been able to provide a copy of the original mortgage offer, which would've set out the original terms of the mortgage, including how long it was due to operate.

Having said that, it was and still is common for mortgages to be arranged over a 25-year term, and so as the mortgage was originally taken out in 1981, it makes sense that the term was originally due to end in 2006 - 25 years later.

LBS says the term of the interest only part of the mortgage was extended from 2006 to 2020. It isn't clear why the term of the interest only mortgage was extended for that period of time. But as the balance remained outstanding, it's reasonable that LBS continued to charge interest on the balance. And it is reasonable for it to require a balance to be repaid that remains outstanding.

I acknowledge that Mr K has said the only statement he can remember seeing since the mid 1990's, was the one he received in 2025. But this doesn't make a difference to the outcome of the complaint. Ultimately, I'm satisfied for the reasons I've explained, that the evidence shows the original mortgage was interest only and remained that way. It's not unreasonable for LBS to require Mr K to repay the outstanding balance of the loan.

In terms of the concern Mr K has raised about the 'third' part of the mortgage, as the Investigator has said, he will need to raise this with LBS in the first instance.

Finally, LBS should work with Mr K to establish an affordable way for him to repay the outstanding balance.

My final decision

My final decision is that I don't uphold Mr K's complaint about Leeds Building Society.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 10 September 2025.

Ben Brewer
Ombudsman