

The complaint

Mr H says Bank of Scotland plc trading as Halifax unfairly asked him to repay his mortgage when the term expired. Mr H says this is because of his age.

What happened

Mr H took out a mortgage with Halifax in 2004 on an interest only basis. He took out further borrowing in 2007, also on an interest only basis. The mortgage term expired in May 2023 with an unpaid balance of about £340,000. Mr H told Halifax he wasn't in a position to repay the debt.

Halifax asked Mr H for income and expenditure information to assess what options were available to him. It said a retirement interest only (RIO) mortgage wasn't affordable. The information Mr H provided suggested he couldn't afford the interest payments. This meant a repayment mortgage wouldn't be affordable either. Halifax offered to refer Mr H to a company that specialises in the lifetime mortgage/equity release market. It noted that Mr H was taking advice from an independent financial adviser about his options. Mr H said he was expecting an inheritance, and Halifax said it could reassess affordability if Mr H used this to reduce the outstanding balance by about £200,000.

Mr H says he maintained payments for 30 years which demonstrates affordability. He says he's invested in property and received a substantial inheritance. Mr H says there's sufficient equity in the property to repay the mortgage if he dies. Mr H says Halifax breached age discrimination law as he says the reason it didn't extend the mortgage term and offer a new interest rate product was due to his age.

Mr H stopped making monthly interest payments from May 2023. He says this was because no agreement was in place. Mr H made some payments in early 2024 – he says he based this on the interest rate in the expired interest rate product. By March 2024 Mr H had arrears of about £20,000.

Our investigator said Halifax considered Mr H's request to extend the mortgage term fairly. It told him he didn't meet affordability criteria. It suggested other options for Mr H to explore and offered to review affordability if Mr H reduced the amount of the debt. Our investigator said Halifax exercised forbearance since May 2023, to allow Mr H time to arrange for the mortgage to be repaid.

Mr H didn't agree and asked that an ombudsman re-consider his complaint.

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. I'm not required to respond to each point made by the parties. What I do have to do is explain my reasons for reaching my decision about what's fair and reasonable in the circumstances. Where the evidence is incomplete or

contradictory I reach my decision on the balance of probabilities – that is, what I consider to be most likely in the circumstances.

The expiry of the mortgage term

Halifax wrote to Mr H to remind him that the term of his mortgage was due to expire in May 2023. It continued to send letters after the term expired and the debt remained unpaid. Mr H says he found the letters from Halifax threatening as they asked for repayment and didn't offer a new arrangement.

I'm sorry Mr H found the letters upsetting. I don't think Halifax made an error or treated Mr H unfairly in sending these letters to him. Halifax is required to send letters to borrowers whose interest only mortgages have expired or are approaching expiry. It's also required to send letters to customers in arrears. It has to make customers aware of the possible consequences of not repaying their mortgages.

Mr H says Halifax asked for the mortgage to be repaid because he'd reached his 70th birthday. That's not what happened. The mortgage term expired. When Mr H took out the mortgage he agreed to repay the debt when the term expired in May 2023.

I wouldn't expect Halifax to offer a new arrangement in the letters it sent to Mr H about the expiry of his mortgage term. It needed information from Mr H about his income and expenditure and other circumstances in order fairly to assess what options might be available. Halifax's letters asked Mr H to get in contact if he was worried he wouldn't be able to repay the debt, and gave details of a business that offers free independent advice for people struggling with their debts. I think this was fair.

In mid-2023 Mr H told Halifax he wasn't in a position to repay the debt. I think it was fair for Halifax to discuss Mr H's income and expenditure with him and look into what options might be available.

Rules on mortgage regulation have changed significantly since Mr H took out the mortgage. Lenders are required to carry out strict affordability checks before offering or agreeing to vary a mortgage contract. This includes assessing whether the mortgage remains affordable after a rate increase and, for an interest only mortgage, that the borrower has a credible repayment strategy.

Mr H says Halifax didn't extend the term of his mortgage because of his age, which he says is discriminatory. That's not what happened. Halifax said Mr H didn't meet affordability for any of the possible options.

Halifax said the monthly interest payments for a RIO mortgage were not affordable for Mr H. Its notes of the income and expenditure information provided by Mr H support this. That meant a repayment mortgage – which would have higher monthly payments – would also be unaffordable.

Mr H says his past payments demonstrate affordability. I can't fairly find that Halifax should have assessed affordability only on the basis of Mr H's past payments. That wouldn't be consistent with its obligations under rules on mortgage regulation. Although the rules allow Halifax not to carry out a full affordability assessment where making changes to the mortgage is otherwise in Mr H's best interests, I don't think it would be in his best interests to extend the term where doing so is clearly not affordable. Halifax told Mr H that mortgage interest rates have increased since he took out his previous product, which means his monthly payments would be higher (even if he took out a new product). Mr H didn't maintain monthly interest payments from May 2023. That could suggest he struggled with the higher

payments after interest rates increased.

Mr H says he's received a substantial inheritance. Halifax said it would re-consider affordability if Mr H reduces the mortgage balance – it said he would need to reduce the balance by at least £200,000. I think this is fair. Mr H should contact Halifax if he's in a position to reduce the debt and wants to discuss this further.

Mr H says he wants to live in the property for the rest of his life. He says there's significant equity in the property which can be used to repay the mortgage should he pass away. Halifax offered to put Mr H in contact with a company that specialises in the lifetime mortgage/equity release market. This is something Mr H can explore if he wants to do so.

Halifax itself does not offer lifetime mortgages. When he took this mortgage out, Mr H agreed to repay it at the end of the term. It might be reasonable for Halifax to agree to defer repayment if Mr H can't repay now but has a clear plan to do so within a reasonable time. But I don't think it would be fair and reasonable to require Halifax to wait indefinitely for repayment when this is not a product it offers.

Mr H says Halifax allowed him to take out interest rate products throughout the mortgage term without an affordability check. That's not an error by Halifax. It doesn't need to check affordability when agreeing a new interest rate product.

Mr H says Halifax agreed to extend the mortgage term for three months after getting the date of his birthday wrong. Having read Halifax's notes, I think it put recovery action on hold to allow Mr H time to look into his options to repay the debt. I think that was fair.

I don't think that Halifax declined to extend the term of Mr H's mortgage, or offer another mortgage to him, because of his age or another unfair reason. I think Halifax was, as it told Mr H, unable to offer an affordable solution to him. The income and expenditure information Mr H provided to Halifax didn't show he could afford monthly interest payments.

The mortgage term expired in May 2023 and it's reasonable for Halifax to expect it to be repaid. Mr H says he has assets, including equity in the security property, investments in land and a recent inheritance of more than £1 million. If Mr H does have assets that he could use to repay the mortgage balance, I don't think it would be fair and reasonable to require Halifax to extend the term simply because he prefers to invest the money elsewhere.

Even if Mr H doesn't have assets other than the security property, I don't think it would be fair and reasonable to require Halifax to extend the term of his mortgage. Mr H wants to stay in the property. But he hasn't provided evidence of particular circumstances that would make it difficult for him to move, or why taking out a lifetime mortgage wouldn't be possible if that is the case. Mr H said there's significant equity in the property, which suggests he'd be able to downsize. I need to take into account that the information Mr H provided to Halifax suggests that he can't afford monthly interest payments. I don't think it would be fair and reasonable to require Halifax to offer a term extension or new mortgage to Mr H when this could result in the debt increasing further and put Mr H into a worse position.

The expiry of the interest rate product in April 2023

The mortgage offer (issued in 2004) and further advance offer (issued in 2007) say that Halifax's standard variable rate would apply after Mr H's interest rate product expires.

Mr H took out an interest rate product in late 2020. When he did so, he agreed to the terms set out in the product offer issued in December 2020. This said a rate of 1.40% would apply until 30 April 2023. It said after 30 April 2023 the rate that will apply is Halifax's Homeowner

Variable Rate.

Halifax wrote to Mr H setting out the variable rate that would apply from 1 May 2023 and his new monthly payment. This is in accordance with the mortgage terms and conditions. I think Halifax is entitled to apply its variable rate to Mr H's mortgage until the mortgage is repaid or a new interest rate product is agreed.

Halifax didn't offer a new interest rate product to Mr H in 2023. While Mr H says that's because of his age, that's not supported by the evidence.

Halifax didn't offer Mr H a new interest rate product to take effect from 1 May 2023 because his mortgage term was due to expire in May 2023. Halifax told Mr H it could only offer a new interest rate product once a way forward was agreed.

It wouldn't be fair for Halifax to put an interest rate product in place when it expects the mortgage to be repaid. This could result in Mr H incurring an early repayment charge. The interest rate product might not be in place long enough for the benefit of a lower interest rate to offset any product fee or ERC.

The mortgage arrears and credit reference agencies

Mr H missed monthly mortgage payments from May 2023. In early 2024 he made payments to his mortgage account which he says are based on an interest rate that is no longer in effect. As a result, Mr H has mortgage arrears. If Halifax reports this to the credit reference agencies I don't think that's inaccurate or unfair.

The Equality Act 2010

There are provisions in the Equality Act that allow lenders to make decisions based on age when providing services – known as the “financial services exemption”. I don't need to consider whether Halifax could fairly rely on these provisions here. That's because Halifax didn't make decisions about Mr H's mortgage based on his age.

Mr H says Halifax told him its main consideration was his age. I haven't seen evidence to support this. Halifax responded to Mr H's complaint that it had discriminated due to his age. It said that it can look at age when pricing products and deciding whether to make them available to a customer. It didn't say that the decisions it made regarding Mr H's mortgage were due to his age. Halifax told Mr H this was due to lack of affordability.

The Mortgage Charter

Mr H refers to provisions in the Mortgage Charter about extending the term, taking out a new interest rate or switching to interest only payments without impacting his credit file. These provisions apply to mortgages that were not in arrears when the Mortgage Charter came into effect in mid-2023. Mr H's mortgage was in arrears at that time.

Lenders that signed up to the Mortgage Charter agreed not to take possession action for at least 12 months after a borrower first misses a payment. Mr H missed payments from May 2023. Halifax allowed Mr H over two years to make arrangements to repay the mortgage.

What happens now?

The term of Mr H's mortgage expired in May 2023. Halifax said it can't offer a term extension or RIO mortgage to Mr H as the monthly interest payments aren't affordable. It seems there are other options available to Mr H, such as selling assets to repay the mortgage, taking out

a lifetime or equity release product or selling the security property. In the circumstances, I don't think it's fair and reasonable to require Halifax to extend the mortgage term or offer a new mortgage to Mr H.

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 Mr H to accept or reject my decision before 27 August 2025.

Ruth Stevenson
Ombudsman