

The complaint

Mrs N is unhappy with how she and her husband were treated by Kensington Mortgage Company Limited.

What happened

Mrs N originally took a mortgage with a different lender, in 2004. Kensington Mortgage Company Limited (KMC) has since taken over the mortgage, and is responsible for dealing with the complaint.

The mortgage was joint with Mrs N's husband, who has sadly passed away since this complaint was referred to the Financial Ombudsman Service.

The mortgage taken out in 2004, was for around £297,000 over a 15-year term. The mortgage had an initial interest rate of 7.25% fixed for four years, after which it would revert to a variable rate of 1.75% above a high street lender's base rate. It looks like the mortgage was originally taken out on a repayment basis, but was switched to interest only payments around October 2006, after Mr and Mrs N had experienced some difficulties making the monthly repayments.

In 2019, with the original mortgage term shortly coming to an end, Mr and Mrs N wrote to KMC to explore some options. They explained that, given Mr N's poor health, re-mortgaging with another lender would be difficult. They put forward a few different options, which included extending the mortgage term by four years at a fixed interest rate of 3.5%, downsizing to a different property, with the mortgage being ported, and KMC agreeing a switch back from interest only to repayment, as part of a potential Help to Buy arrangement.

KMC said it couldn't port the mortgage or change the interest rate product. Mr and Mrs N raised concerns about this, but said they didn't wish for it to be dealt with as a complaint.

Later in 2019, Mr and Mrs N asked for the mortgage term to be extended by ten years, and this was agreed on the existing terms, so the mortgage was now due to run to 2029.

In 2022, with the interest rate on the mortgage increasing following increases in the Bank of England base rate, Mr and Mrs N began having difficulty meeting the monthly interest payments. Arrears began to accrue on the account. Mr and Mrs N contacted KMC on a number of occasions during 2022. They said they were concerned by the rising interest rates. They raised a number of concerns about how they'd been treated, including about the sale of the mortgage.

They also asked questions about their status as mortgage prisoners, and asked KMC to cap their mortgage interest rate at the (then) current level of 3%, and to capitalise payments due for a period of time.

KMC issued a number of complaint responses. Other than clarifying something it had said about Mr and Mrs N's status as mortgage prisoners, it didn't uphold their concerns. In terms of the interest rates, it said it didn't have any fixed rates available that were competitive with

the interest rate Mr and Mrs N were on. KMC said Mr and Mrs N should consider seeking independent financial advice.

In each of the complaint responses, KMC included referral rights to the Financial Ombudsman Service, saying that Mr and Mrs N had six months to refer their concerns to the Financial Ombudsman Service. None of the letters in 2022 included or otherwise mentioned the Financial Ombudsman Service leaflet.

KMC agreed a reduced payment arrangement with Mr and Mrs N in October 2022, for three months. It then agreed several further reduced payment arrangements, based on Mr and Mrs N's requests and income and expenditure information they'd provided.

In September 2024 Mr and Mrs N made another complaint. In summary, they said KMC hadn't properly considered the options they'd put forward in 2019 and hadn't done enough to support them. They also said KMC had been inconsistent in whether they were mortgage prisoners. Mr and Mrs N said they wanted KMC to adjust the account by retrospectively applying a lower interest rate that would've been available in 2019, as well as offer an extension to 2039, and allow the mortgage to be ported to a cheaper property - if they could find a suitable one.

KMC didn't uphold the complaint or agree to Mr and Mrs N's suggestions. It said it had previously explained why it wasn't able to vary the contractual interest rate and that it had suggested to Mr and Mrs N on many occasions that they should seek independent advice to explore moving lender.

KMC indicated that it hadn't been able to offer Mr and Mrs N a more competitive rate than the rate they were already on. It also said that whilst it couldn't agree to Mr and Mrs N's proposals, it considered that it had provided appropriate forbearance over time, including the term extension and several temporary reduced payment arrangements.

KMC also said that Mr and Mrs N could speak to their specialist team to explore other options for addressing the arrears or total balance, and that the time limits for the issues responded to in 2022, had expired.

Mr and Mrs N referred their concerns to the Financial Ombudsman Service. Mrs N told us that her daughter had since bought the property, and the mortgage had been redeemed.

An Investigator here reached an outcome on the case. In summary, they said the issues dealt with in the 2022 complaint responses had been brought outside of the six-month window to refer a complaint to the Financial Ombudsman Service. And that, whilst it was clear that Mr N had been experiencing serious health problems, he had been communicating with KMC since 2022, and so exceptional circumstances didn't apply that prevented the 2022 issues from being referred to the Financial Ombudsman Service within the six-month time limit.

On the issues the Investigator said they could consider (as they'd been brought in time), in summary they said that:

- In general, the fixed rates that KMC offered borrowers had been higher than the rate applying to Mr and Mrs N's mortgage. And if Mr and Mrs N had taken out a fixed rate, they likely would've needed to pay an Early Repayment Charge when the mortgage was redeemed.
- In agreeing a number of temporary payment arrangements, KMC had shown reasonable forbearance. Capitalising the arrears would've increased the required

monthly payments that were already unaffordable, and extending the term further wouldn't have reduced the required payments as the mortgage was interest only.

- As regards porting the mortgage, they couldn't see that any formal application to port had been made but, regardless, the contract didn't allow for porting the mortgage from one property to another.
- Whilst they appreciated that Mr and Mrs N had been through a very difficult time, there were no grounds to uphold the complaint.

Mrs N disagreed with the outcome. In summary, she said:

- Mr N had been very unwell, was frequently in hospital, and this should be considered as exceptional circumstances.
- KMC had discriminated against them, given Mr N's disability.
- If KMC had provided more help sooner than it did, they could've avoided getting into the difficulties they ended up in.
- KMC took advantage of their situation in terms of being stuck and not being able to move to another lender.

A new complaint was initiated with KMC specifically in relation to the allegation of discrimination. But otherwise, the Investigator's view remained the same and so the case was passed to me as an Ombudsman, to decide.

On 7 July 2025 I issued a Provisional Decision (PD) setting out that I'd reached a different conclusion to the Investigator in terms of the issues that could and couldn't be considered. I also said that, although I'd reached the same overall outcome on the merits of the complaint, I was doing so for different reasons and wanted to give both parties an opportunity to provide any further submissions, before I reached a Final Decision.

Within the PD, I said the following:

"What I can and cannot consider

I told KMC that I thought I could consider the relevant issues raised by Mr and Mrs N in 2022, because the complaint responses didn't constitute a final response, per the relevant rules, due to the Financial Ombudsman Service leaflet not having been included or mentioned.

On that basis, KMC has provided its consent for me to consider all the complaint issues raised by Mr and Mrs N in 2024.

What the outcome of the complaint turns on

I acknowledge that Mr and Mrs N have raised concerns about their status as mortgage prisoners. But that issue isn't central here. This complaint turns on whether KMC provided reasonable forbearance to Mr and Mrs N, given the financial difficulties they've faced in recent years. Within this, I consider the following issues are key:

- *Did KMC respond appropriately to the options Mr and Mrs N mentioned in 2019?*
- *Should KMC have allowed Mr and Mrs N to switch to a different interest rate product at any*

point, otherwise allowed them to pay a lower rate of interest than had been contractually agreed, or considered any other forbearance measures?

I've considered these points.

Did KMC respond appropriately to the suggestions Mr and Mrs N made in 2019?

In 2019, when the original mortgage term was coming to an end, Mr and Mrs N said they were considering a number of different potential options, including extending the mortgage term, downsizing and porting a smaller mortgage to a different property, and switching to repayment as part of a Help to Buy arrangement.

Other than asking to extend the mortgage, I can't see that Mr and Mrs N were putting forward any firm proposals at that point. I can't see, for example, that they were saying they'd found a specific property they wished to downsize to.

Where the porting of a mortgage is allowed, this would be set out in the mortgage contract. I've seen the original mortgage contract, and it doesn't say anything to indicate that the mortgage was portable. With this in mind, I don't think it was unreasonable for KMC to say that porting the mortgage wouldn't be possible.

Mr and Mrs N originally told KMC they wanted to extend the mortgage by four years. They later said they wanted it to be for ten years, and KMC agreed this.

Thinking about what happened in 2019 as a whole, I think KMC treated Mr and Mrs N fairly by agreeing to extend the mortgage in line with what they'd asked for.

Should KMC have allowed Mr and Mrs N to switch to a different interest rate product at any point, otherwise allowed them to pay a lower rate of interest than had been contractually agreed, or considered any other forbearance measures?

As part of the options and proposals Mr and Mrs N put forwards in 2019, they asked KMC if it would agree to change the interest rate, mentioning the possibility of fixing at 3.5%. At the time, the interest rate being charged on Mr and Mrs N's mortgage was 2.5%.

Given this, and that Mr and Mrs N weren't experiencing difficulties meeting the monthly repayments at that time, I don't think it was unfair that KMC didn't agree to Mr and Mrs N's request, not least because it would've immediately increased the amount they needed to pay on the mortgage.

Mr and Mrs N began having difficulty meeting the monthly mortgage payments in 2022, following increases in the Bank of England base rate and associated increases in the rate applying to their mortgage. In 2022, Mr and Mrs N asked KMC about the possibility of fixing their mortgage interest rate, ideally to the end of the extended term.

KMC told Mr and Mrs N that it didn't have any fixed interest rates that were competitive with the interest rate applying to their account at that time. KMC has provided us with details of the fixed rates that it could theoretically have offered Mr and Mrs N, since 2022.

For much of the time, the best available fixed rates (i.e. at the lowest loan to value) were higher than the contractual interest rate Mr and Mrs N were paying on their mortgage. There are some occasions where the lowest available rates were slightly lower than the contractual interest rate Mr and Mrs N were paying, but where this was the case, it is marginal.

KMC has confirmed that all fixed rates would've come with an Early Repayment Charge in

the event the mortgage was repaid before the end of the fixed rate period. The mortgage contact notes indicate that, in 2022, Mr and Mrs N had been contemplating the possibility of selling the property.

With this in mind, and that the fixed rates that Mr and Mrs N could theoretically have switched to were generally higher than the contractual interest rate they were paying and, at best, only marginally lower, I don't consider that it would've made sense for KMC to agree to Mr and Mrs N switching to a fixed interest rate at any point.

The remaining question is whether, notwithstanding this analysis, there was a point where KMC ought to have agreed to reduce the interest rate applying to Mr and Mrs N's mortgage, as a forbearance measure.

Having considered this point carefully, I don't think KMC needed to do this. I say this because agreeing to a reduction in the interest rate (outside of a product switch) as a forbearance measure, is (in general) only likely to be potentially appropriate, where the financial difficulties being experienced by borrowers are temporary in nature, and the financial situation is thought likely to improve – such that a temporary reduction in the interest rate, potentially amongst other measures, will likely help the borrowers through a difficult period, before they're able to get back on track. In Mr and Mrs N's case, there was unfortunately little prospect of their financial situation improving.

The other situation in which (again, in general) an interest rate reduction might be appropriate, is where the borrower is actively taking steps to sell the property, and a sale is progressing. In such circumstances, an interest rate reduction might be appropriate forbearance on the basis there's a concrete plan for the loan to be repaid, and reducing interest might be fair, for example to help preserve the borrower's equity after the loan is repaid.

Here, although Mr and Mrs N had mentioned in 2022 that they were considering the possibility of selling the property, I can't see this ever got to a point where they made KMC aware that this had become a concrete plan and that a sale was progressing.

Thinking about the situation as a whole, I don't think there was a point where KCM ought to have agreed to reduce the interest rate Mr and Mrs N were paying on the mortgage.

I can see that, in terms of forbearance, KMC did agree several temporary payment arrangements with Mr and Mrs N - as an alternative to taking possession action given the arrears on the account, which were increasing from 2022 onwards.

Thinking about the whole situation in the round, I'm satisfied that KMC provided reasonable forbearance to Mr and Mrs N, given their circumstances and the difficulties they were facing.

It follows that, whilst I acknowledge that Mrs N feels very strongly that KMC didn't do enough to support her and Mr N through their difficult circumstances, I haven't reached the same conclusion."

I asked both parties to provide any further submissions by 21 July 2025 at the latest. KMC responded to say it agreed with the decision and had nothing further to add. Mrs N responded on the same day as the decision to say she disagreed with it and needed more time to look into it.

The deadline of 21 July 2025 passed, and the Investigator contacted Mrs N on 28 July 2025 to say that we hadn't received anything further from her. Mrs N said she would provide something by the end of that week (which at the latest would be by 3 August 2025). Mrs N hasn't provided anything further. I'm satisfied she's had a reasonable opportunity to provide any further submissions, so I've gone on to reach a Final Decision on the 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.

I first want to acknowledge again that, in the background to this complaint, Mr and Mrs N experienced an extremely challenging time, in terms of Mr N's ill health and, alongside that, financial difficulties. I was very sorry to learn of Mr N's passing and am in no doubt this will have been an extremely difficult time for Mrs N.

Neither party has provided any further submissions regarding what the Financial Ombudsman Service can and cannot consider, nor the merits of the complaint. As such, I see no reason to depart from my provisional findings, which form part of this Final Decision.

I still consider that this complaint turns on whether KMC provided reasonable forbearance to Mr and Mrs N, given the financial difficulties they've faced in recent years. Within this, I still consider the following issues are key:

- Did KMC respond appropriately to the options Mr and Mrs N mentioned in 2019?
- Should KMC have allowed Mr and Mrs N to switch to a different interest rate product at any point, otherwise allowed them to pay a lower rate of interest than had been contractually agreed, or considered any other forbearance measures?

Did KMC respond appropriately to the options Mr and Mrs N mentioned in 2019?

I still find that KMC treated Mr and Mrs N fairly by agreeing to extend the mortgage in line with what they'd asked for, for the reasons set out in my provisional findings.

Should KMC have allowed Mr and Mrs N to switch to a different interest rate product at any point, otherwise allowed them to pay a lower rate of interest than had been contractually agreed, or considered any other forbearance measures?

I still find there wasn't a point where KCM ought to have agreed to reduce the interest rate Mr and Mrs N were paying on the mortgage, for the reasons set out in my provisional findings.

In terms of forbearance, KMC did agree several temporary payment arrangements with Mr and Mrs N - as an alternative to taking possession action given the arrears on the account, which were increasing from 2022 onwards.

Thinking about the whole situation in the round, I remain satisfied that KMC provided reasonable forbearance to Mr and Mrs N, given their circumstances and the difficulties they were facing.

My final decision

My final decision is that I don't uphold Mrs N's complaint about Kensington Mortgage Company Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs N to accept or reject my decision before 3 September 2025.

Ben Brewer
Ombudsman