DRN-5759168

The complaint

Mr T complains that Bank of Scotland plc trading as Halifax didn't treat him fairly when it declined to extend the term of his interest only mortgage and offer a lower interest rate. A third party – who I'll refer to as Ms T – has dealt with the complaint on behalf of Mr T.

Mr T asks for a term extension, a lower interest rate and compensation for distress and inconvenience. He asks why he wasn't told a term extension and new interest rate were available sooner.

What happened

Mr T took out a residential mortgage with Halifax in 2010, on an interest only basis. The term is due to expire in November 2025.

Mr T says the monthly interest payments weren't affordable after his preferential interest rate expired in January 2024. He didn't maintain monthly payments and his account is in arrears.

Ms T says Halifax threatened possession action and didn't offer forbearance or support with Mr T's financial difficulties. She says Halifax breached a number of regulations.

Our investigator said extending the term wouldn't be in Mr T's best interests. She said Halifax couldn't offer a new interest rate product due to the mortgage term expiring. And it seemed Mr T had other properties he could sell to repay the mortgage.

Ms T didn't agree. She said Halifax failed to offer forbearance or an affordable solution (such as a lower interest rate), despite being told Mr T was vulnerable and in financial hardship. She said an extension was in Mr T's best interests, to give him temporary breathing space to complete a sale or re-financing. Ms T asked that Halifax pause legal action until the final decision is issued.

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.

Mr T's mortgage is due to expire in November 2025. Halifax wrote to Mr T to remind him of this. It provided copies of letters sent to Mr T in 2020, 2022 and 2024. The letters ask Mr T to let Halifax know his plans to repay the balance, or get in contact if he was concerned about being unable to repay the balance. The letters said if he planned to sell the property he should allow enough time for this.

Mr T spoke to Halifax in November 2020. He told Halifax he had other properties that he could use to repay the mortgage. However, his plan was to sell the property and move overseas before the term was due to expire. Mr T told Halifax his income was from rent, so it wouldn't be affected by retirement.

Mr T's preferential interest rate expired in January 2024. His mortgage went onto the standard variable rate, in accordance with the mortgage terms and conditions.

Ms T contacted Halifax in February 2024. Halifax told her it would have to do an income and expenditure assessment to assess whether it could offer an extension and a new interest rate. Ms T said she didn't have time. She said Mr T couldn't afford to pay interest at the SVR and intended to sell the property.

Mr T made underpayments in 2024, and stopped making payments in 2025. Halifax said it would start litigation. Ms T raised a complaint in early 2025. She said Halifax taking possession would cause Mr T to incur costs. She said the matter had caused him distress and it was unfair for Halifax to decline a term extension and product transfer.

I don't think Halifax treated Mr T unfairly in the circumstances. I've explained why below.

Halifax has to treat customers fairly. This includes considering what support it can offer to help a customer in arrears get the mortgage back on track. It's not required to offer a term extension or a new mortgage product when a customer requests this.

I can't fairly find that Halifax should have offered Mr T a new interest rate product when the remaining term of his mortgage was less than the shortest available product. Fixed interest products usually have an early repayment charge (ERC). It wouldn't be fair for Halifax to offer Mr T a new product when it's likely he will repay the mortgage during the product term: this would mean he'd have to pay the ERC.

As a starting point, it's reasonable for Halifax to expect Mr T to repay the mortgage when the term expires – as he agreed to do when he took out the mortgage. Halifax didn't have to offer a term extension so that Mr T could take out a preferential interest rate product.

Halifax wrote to Mr T to remind him his mortgage was due to expire and to ask him to get in contact. I wouldn't expect Halifax to write to Mr T to offer options such as a term extension or a new interest rate. It needs first to discuss Mr T's circumstances with him.

Rules on mortgage regulation say that before agreeing to offer or vary a mortgage contract lenders have to assess affordability, including for an interest only mortgage that there's a credible repayment vehicle. There are limited exceptions to this, such as if an extension would be in a customer's best interests. Halifax couldn't offer a term extension to Mr T without information about his circumstances.

Halifax said Mr T updated his correspondence address in February 2024 as he wasn't living in the property. While Ms T says Mr T is vulnerable as he's a pensioner, I can't see that there was anything to stop him from marketing the property for sale from early 2024, especially if he was concerned about the higher monthly payments.

Halifax says Mr T has been letting the property out as self-catering holiday accommodation for at least two years. It provided evidence to support this. Halifax says Mr T doesn't have its consent to let the property, so this is a breach of the mortgage terms and conditions.

When Mr T asked for the term extension he didn't provide evidence to Halifax of a credible plan to repay the mortgage. While Ms T says he just needs time to sell the property or refinance, Mr T didn't provide evidence he was actively trying to sell the property or in the process of refinancing.

Mr T made underpayments in 2024 (he paid about £330 per month, as compared to the payments due of about £1,500). It's unlikely Halifax could offer Mr T a product with an interest rate as low as the rate (1.85%) that expired in early 2024. If the payments Mr T made in 2024 were all he could afford, he would still have struggled to maintain payments if Halifax had offered an extension and new product.

Mr T stopped making payments in early 2025. By mid-2025 he had mortgage arrears of more than £20,000. Mr T was also in arrears with the ground rent/service charge for the property. This suggests Mr T might have struggled to maintain payments if Halifax had offered an extension, especially as Ms T says Mr T has financial difficulties.

Halifax says it exhausted available options and was unable to offer support to help Mr T. Given Mr T's arrears are increasing each month, I don't think it was unfair for Halifax to start legal action. If it waits, Mr T's arrears will increase and he'll have a larger debt to pay. Mr T isn't living in the property – it's being used as a holiday let – so he won't lose his home.

Halifax says when Mr T applied for the mortgage he was a portfolio landlord with about 20 mortgages and interests in companies involved in property related businesses. In 2020 Mr T told Halifax his income was from rent and he had other properties he could sell to repay the mortgage with Halifax. We asked about Mr T's other properties, but Ms T didn't think this was relevant to the complaint. It wouldn't be fair to require Halifax to extend the term if Mr T does have other properties, or sales proceeds, he can use to repay his mortgage with Halifax.

Mr T hasn't provided evidence that he would be in a better position to repay the mortgage after a term extension. In the meantime he'd pay interest, and the available evidence suggests he might struggle with this. I don't think, in the circumstances, it would be in Mr T's best interests for Halifax to offer a term extension.

My decision is the final stage of our process. Halifax isn't required to hold legal action while the complaint is with us. But if it has, it's likely it will now restart legal action. If Mr T is in a position to address the arrears, or if he wants to discuss other options such as an assisted sale, I'd urge him to contact Halifax. Mr T might consider taking independent financial advice about his options, given the position with the arrears and the expiry of the mortgage term later this year.

Taking all of the circumstances into account, I don't think it's fair and reasonable in the circumstances to require Halifax to extend the term of Mr T's mortgage, offer him a lower interest rate or compensation or take further steps regarding this complaint.

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 T to accept or reject my decision before 13 October 2025.

Ruth Stevenson
Ombudsman