

The complaint

Mr H's complaint is about a mortgage he has with Bank of Scotland plc trading as Halifax. He is unhappy that following the end of the term of his mortgage, Halifax was not willing to wait for him to receive an inheritance before repaying the mortgage.

What happened

In 2004 Mr H took out his mortgage with Halifax for £378,000 plus fees over a term of 17 years. Further borrowing was taken over terms that were in line with the term of the main mortgage. All of the advances were arranged on a repayment basis. However, in 2011 Mr H asked to change the repayment basis of the whole mortgage to interest-only. At that time the mortgage balance was just over £400,000. The contemporaneous note from the time says that he told Halifax that he would be using savings and investments to repay the mortgage at the end of the term.

In May 2016 Mr H contacted Halifax to look at the options he had for the mortgage. He told Halifax that his original repayment vehicle was an inheritance, but he wanted to look at extending the term and switching the mortgage back to a repayment basis. Halifax told Mr H that due to where his property was located, it couldn't make changes to the mortgage and he would need to attend the local branch of a bank in the same group to discuss remortgaging. Mr H complained about this, and it was confirmed that Halifax could not change the mortgage due to changes to banking licences where his home was located.

In 2018 Halifax started writing to Mr H regularly to remind him that his mortgage was due to be repaid in 2020 and so he needed to ensure his repayment vehicle would be able to repay the mortgage at that time.

The mortgage was due to be partially repaid in December 2020 and January 2021. Mr H told Halifax at that time that he intended to sell the property to repay the mortgage, but due to Covid-19 restrictions, he wasn't able to market it. Halifax gave Mr H until November 2021 to repay the mortgage and also put him in touch with his local branch of the other bank in the same group Mr H had been previously directed to.

Mr H didn't repay the mortgage by November 2021 and Halifax again allowed him more time – a "grace period" - until April 2023. Mr H didn't repay the mortgage by April 2023, and Halifax commenced correspondence about the issue. When no response was received, Halifax sent a final warning letter on 6 June 2024, which told him that it would start legal action unless he contacted it within 15 days.

Mr H called Halifax on 26 June 2024. He told Halifax that when an elderly relative died, he would sell the property he would inherit and use the funds to repay the mortgage. It was confirmed that the account would not be put on hold, and Mr H should contact Halifax on a monthly basis with an update on his plan to repay the mortgage.

On 16 August 2024 Halifax decided that as there were no definitive plans in place to repay the mortgage it would start legal action. It commissioned solicitors, which wrote to Mr H informing him about the instruction. Mr H complained.

Halifax responded to the complaint on 17 October 2024. It didn't consider it had done anything wrong in how it had dealt with Mr H's mortgage and instructing solicitors, other than how it dealt with the telephone call of 20 June 2024. Halifax said that it should have made it clear that if the mortgage balance remained outstanding it might move to legal action. It also said that it should have signposted Mr H to seek independent advice. It paid Mr H £500 compensation for these omissions.

One of our Investigators considered the complaint. He concluded that Halifax had acted reasonably by giving Mr H a considerable additional amount of time to repay his mortgage and that it had not been inappropriate for it to have started legal action. In relation to the poor communication in the call of 20 June 2024, the Investigator acknowledged that this may have given Mr H the wrong impression about Halifax being willing to wait longer for repayment, but he was satisfied the £500 it had paid was sufficient to compensate Mr H for this mistake.

Mr H didn't accept the Investigator's conclusions. He said that the fact that Halifax had documented on the annual statements what he had told it about his plans for repaying the mortgage meant that it had accepted an inheritance as his repayment vehicle and, thereby, that it had agreed to wait for that to happen before expecting the mortgage to be repaid. He also said that he had responded within the 15-day timescale to avoid legal action, but Halifax still took that action, and so he didn't consider legal costs should have been added to the mortgage balance.

The Investigator considered Mr H's comments. He explained that a mortgage lender accepting a borrower's repayment plans for their mortgage does not mean that a lender has to wait indefinitely for the borrower's plans to come to fruition. In relation to the legal charges that had been added to the mortgage, the Investigator was satisfied that these were reasonably applied, as Mr H had been told he needed to keep Halifax updated monthly with the progress of his plans to repay the mortgage in order to avoid legal action starting, but he hadn't done so. Mr H asked that the complaint be referred to an Ombudsman.

Mr H provided a page of his mortgage statement from the end of 2023. He highlighted that it included information about the repayment vehicle for the mortgage and considers that this means that Halifax accepted his inheritance as the repayment vehicle and so agreed to wait until it became available:

'You have told us that you are using the following plan(s) to repay your loan.

- *Inheritance*
- *Switch to repayment in the future.'*

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.

The crux of Mr H's complaint is that he believes Halifax accepted him repaying his mortgage from an inheritance he had not yet received, and so agreed to wait until it became available.

When a borrower enters into a mortgage agreement they commit to repaying the mortgage at the end of the agreed term. It makes no difference whether the mortgage is arranged on a repayment basis or an interest-only basis. Between 2011, when the mortgage was converted to an interest-only basis, and 2024 Mr H told Halifax that he would repay the mortgage by various different methods – from investments; by converting the mortgage back to a repayment basis; from an inheritance; and by selling the property. While Halifax has noted at

different points what Mr H has said about his plans for repaying the mortgage, whatever they were at those times, it didn't alter the agreement he entered into with Halifax in 2004 and when the subsequent further advances were agreed, to repay the mortgage at the end of the terms.

Mr H has told us that he believes that Halifax accepted an inheritance as the repayment vehicle for the mortgage in 2016. It did note that this was a possibility, but Mr H also at that time wanted to look into repaying the mortgage by changing it back to a repayment basis. As Halifax couldn't have the latter discussion with Mr H because of where his home was and it not having the relevant banking licences, it referred him to another bank in the group to have that conversation. Simply because Mr H mentioned that inheritance was one of the options he was thinking of in 2016 to repay the mortgage, and Halifax noted it on its records, it does not mean that Halifax agreed to wait indefinitely for Mr H to receive the inheritance, whenever that might be.

While we would expect a mortgage lender to provide a borrower with some additional time to allow their repayment plans to come to fruition if there was going to be a slight delay or to refinance, we would not expect a lender to agree to an open-ended arrangement. If a consumer requires that type of arrangement, there are specialist mortgage lenders that can provide suitable mortgages. In this case Halifax has displayed a significant amount of patience, as it's already allowed Mr H more than four additional years to sort out funds for repaying the mortgage or to sell the property. I don't consider it would be appropriate for me to require it to offer more time. That said, Mr H has told us that his elderly relative has now died and that presumably means that a timescale can be placed on his plans. In light of this, I would expect Halifax to consider any proposals Mr H now makes before deciding what to do about legal action. That said, I would remind Mr H that the repayment plans need to be realistic and timely, and Halifax is not obliged to agree to them.

I have listened to the telephone call Mr H had with Halifax in June 2023 following Halifax sending Mr H its final warning letter. While Mr H did call Halifax, that is not all the letter required him to do in order to stop legal action – it required that a repayment plan be agreed. Unfortunately, the call was not handled well. Mr H was told Halifax could not put a hold on the account – could not stop the legal process – based on what he had told it, but I am not sure that Mr H understood what this meant. So I think it entirely plausible that Mr H believed when he hung up from the call that Halifax was not going ahead with legal action at that time. So when the letter arrived confirming legal action was going to start, I accept that it may have been something of a surprise to Mr H.

Although Halifax didn't explain the situation correctly in June 2024, I don't consider that alters the situation materially. Even had Halifax put the mortgage and legal action on hold, Mr H was told he had to provide an update on an at least monthly basis. When he suggested doing so less frequently, he was told that would not be a good idea due to the position with the mortgage and the possibility of legal action. So if Mr H's expectations were raised by the poor handling of the call, he knew that those expectations were contingent on him fulfilling a commitment to monthly updates. Mr H's expectations were only raised for a short period of time, and reasonably he should have been expecting some form of communication from Halifax, as he'd not fulfilled his commitment to monthly updates. I am satisfied that the £500 Halifax has paid Mr H for the poor service he received is appropriate and proportionate in the circumstances.

As for the legal costs that were added to the mortgage balance, I don't consider it was inappropriate for Halifax to add those costs. As I have said above, Mr H was asked to contact Halifax on at least a monthly basis, but he didn't do that. With the lack of communication and how long since the mortgage had been due to be repaid, I don't consider

Halifax was wrong to start legal action, which incurred costs that Mr H was liable for under the mortgage contract.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr H to accept or reject my decision before 18 December 2025.

Derry Baxter
Ombudsman