

## The complaint

Ms D is unhappy that The Co-operative Bank plc wouldn't send her an illustration for a new fixed rate product when she wrote to it in February 2025. She's said she didn't require any further borrowing, had no arrears and it would have been on a non-advised basis. She's also said that, since then, she's received confusing information about her overpayment fund.

## What happened

Ms D took out this mortgage in 2003 over a term of 22 years. It is a flexible mortgage which has an overpayment fund which facilitated possible underpayments, and a borrow back facility. The mortgage term was set to end on 31 May 2025.

The annual statement issued in April 2024 showed, at that time, there was a balance of around £27,600 outstanding (which the notes said took into account the overpayment fund balance of around £10,700). It said that any withdrawal from the overpayment fund will increase the balance of the mortgage.

The annual statement issued in April 2025 showed, at that time, there was a balance of around £23,200 outstanding (which the notes said took in to account the overpayment fund balance of around £14,300). It said that any withdrawal from the overpayment fund will increase the balance of the mortgage.

In February 2025 Ms D wrote to The Co-operative Bank in response to a letter concerning her mortgage coming to the end of its term. She asked it to send her an illustration for a repayment mortgage with a six-year term on a two-year fixed rate product. Ms D wrote again in March 2025 to chase a response to her letter.

The Co-operative Bank responded on 21 March 2025 and apologised for not responding sooner. It said in order to obtain an illustration Ms D would need an appointment with one of its mortgage advisers. It also said it had referred the complaint points she raised to its complaints team.

The Co-operative Bank issued its response to the complaint on 7 April 2025. It apologised for not responding to Ms D's letter she sent in February 2025 and offered £50 compensation for that error. In respect of the underlying issue, it said it can't provide an illustration without first conducting a telephone appointment to gather details of Ms D's current circumstances and any relevant documents. It said, once that telephone appointment had happened, it would then send the information in writing so Ms D could review the details before it is finalised.

After some further back and forth Ms D referred her complaint to our service. She also asked The Co-operative Bank to move the overpayment fund to her mortgage account so it reduced the mortgage debt. The Co-operative Bank did that on 29 May 2025.

Our Investigator didn't uphold the complaint. They said that there is no automatic entitlement to a term extension at the end of a mortgage term and, to consider Ms D's request to do so, The Co-operative Bank needed Ms D to speak to a mortgage adviser as it doesn't offer a

change like that on an execution only basis. In terms of the overpayment fund, our Investigator explained that had to be removed otherwise any mortgage illustration wouldn't give accurate figures and The Co-operative Bank had said it would ensure Ms D wasn't disadvantaged by the temporary removal of that feature if she asked that the funds be sent to her. Overall, our Investigator said the offer of £50 was fair for not responding to Ms D's letter, and they didn't uphold the remainder of the complaint.

Ms D didn't agree and so the case was passed to me to decide.

### **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.

Although I've read and considered the whole file I'll keep my comments to what I think is relevant. If I don't comment on any specific point it's not because I've not considered it but because I don't think I need to comment on it in order to reach the right outcome.

As our Investigator explained, we can only consider the complaint that was answered by the business on 7 April 2025. That didn't include Ms D's concerns about the overpayment fund and how that has impacted the redemption figure she was given. If Ms D would like those concerns investigated then she needs to make a complaint to the business first and then, if she remains unhappy, she can refer that complaint to us at the time (subject to our usual rules). In terms of the need to remove the overpayment fund before any illustrations are produced, the business has explained that is because otherwise the figures on the illustration will be incorrect. It said it only needed to be removed temporarily, and Ms D has since opted to use the overpayment fund to reduce her mortgage balance.

The starting point is that Ms D agreed to repay the capital balance of her mortgage when the term expired in 2025 and – all other things being equal – it's fair that The Co-operative Bank expected her to do so. However, if she couldn't do so, it ought to consider reasonable forbearance and working with Ms D to find a way for the balance to be repaid and not taking action to repossess the property except as a last resort. Ms D hasn't said that she can't repay the debt, just that she wants The Co-operative Bank to extend the term for another five or six years, switch her mortgage to repayment and give her a new preferential interest rate.

The Co-operative Bank is willing to consider all that, but to do so it needs Ms D to speak to one of its mortgage advisers. That's not an unreasonable request. This isn't just a product switch; Ms D's mortgage term was ending so it required a variation of the contract to extend the mortgage term, and Ms D also asked to switch to repayment.

Under the mortgage rules set out in the Mortgages and Home Finance: Conduct of Business sourcebook (MCOB), The Co-operative Bank would normally be required to consider affordability<sup>1</sup>. That's because Ms D would be changing her mortgage type from interest only to repayment, and also, based on her age, it is possible she is now retired, or may retire during any extended term. Both of those changes are examples of changes that are material to affordability and mean that The Co-operative Bank couldn't normally just disregard the usual requirement for an affordability assessment. This is set out in MCOB 11.6.3R (2)(b) and MCOB 11.6.4E (1)(a) and (b).

MCOB 11.6.3R says MCOB 11.6.2R (that is, the requirement to carry out an affordability assessment) doesn't apply to certain scenarios "*...provided the conditions in (2) are*

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<sup>1</sup> <https://handbook.fca.org.uk/handbook/mcob11/mcob11s7>

*satisfied.*” With (2)(b) saying “*there is no change to the terms of the regulated mortgage contract or home purchase plan which is likely to be material to affordability.*”

MCOB 11.6.4E sets out some things that might be considered material to affordability and that includes “*an extension of the term of the regulated mortgage contract or home purchase plan which it is reasonable to expect will extend into (or further into) the customer's retirement*” and “*changing from a repayment mortgage to an interest-only mortgage, or vice versa*”

From this we can see that the changes Ms D is asking for would be considered material to affordability and therefore The Co-operative Bank would normally be required, under the mortgage rules, to carry out an affordability assessment.

However, there are something called the transitional arrangements which are set out in MCOB 11.7<sup>2</sup>. Those say the requirements set out above in MCOB 11.6 don't apply where the loan was taken out before April 2014, has not been increased since then, and the proposed new or varied loan is in the borrower's best interests.

So, Ms D's right that an affordability assessment need not be carried out – but the rules don't say that one must not be done. They say that The Co-operative Bank doesn't need to do one where it's satisfied the change to the mortgage is otherwise in Ms D's best interests. Whilst I understand Ms D feels it would be in her best interests, that isn't the test. It is for the lender to assess best interests. For instance, whilst it may be what Ms D wants, it might not be in her best interests to just convert the mortgage to repayment terms and extend it until Ms D is 74 or 75 years old without considering whether she could afford the higher payments that would result. And The Co-operative Bank can only make those assessments – that is an affordability assessment and/or an assessment about whether it is in her best interests – if Ms D has an appointment with one of its mortgage advisers. The Co-operative Bank doesn't do changes like this on an execution only basis.

I appreciate Ms D would rather not speak on the phone, but The Co-operative Bank's mortgage advisers are phone based. This doesn't seem to be a case where Ms D is unable to communicate by phone – for example, because of a disability which would require the business to make a reasonable adjustment. The Co-operative Bank has said there would be a conversation over the phone, and then, if agreed it would send all the details in writing so Ms D wouldn't need to make a decision over the phone without seeing everything in writing first.

If Ms D has an appointment with a mortgage adviser and her request is turned down, then that is a fresh complaint she can make at the time if she feels that is appropriate. All I'm considering here is whether The Co-operative Bank did anything wrong in saying Ms D needed to talk to one of its mortgage advisers about her request, and having considered everything very carefully I'm not persuaded that was an inappropriate response. And so, for all the reasons given, I don't uphold Ms D's complaint.

Finally, The Co-operative Bank has offered £50 compensation for not responding to Ms D's letter. Having considered everything very carefully I'm satisfied that is a fair offer and it is in line with what I would have awarded.

### **My final decision**

I'm satisfied the offer made by The Co-operative Bank plc to pay £50 compensation for not replying to Ms D's letter is fair and reasonable. I make no further order or award.

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<sup>2</sup> <https://handbook.fca.org.uk/handbook/mcob11/mcob11s8>

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms D to accept or reject my decision before 12 March 2026.

Julia Meadows  
**Ombudsman**