

The complaint

Mr and Mrs T complain that Metro Bank PLC didn't approve their request to change their mortgage to interest-only until the end of their fixed term.

What happened

Mr and Mrs T took out a capital and interest repayment mortgage with Metro in early 2022. Their interest rate is fixed until mid-2027. In late 2023 Mr T contacted Metro to ask about temporarily changing their mortgage to interest-only. He said he was worried about their short-term ability to meet the capital and interest repayments due to cash flow issues with their businesses.

Metro agreed to switch the mortgage to interest-only for a six-month period under the government backed mortgage charter scheme. Following this, Mr T asked to have the mortgage changed to interest-only until the end of the fixed term in 2027.

Metro agreed a further three-month interest-only period as a forbearance measure. Mr T again requested to move to interest-only until the end of their fixed term, but Metro declined. It said it had previously reviewed Mr T's requests and there had been no change in Mr and Mrs T's circumstances to change its response. Metro considered Mr and Mrs T could afford to pay more than the interest-only amount if they prioritised the mortgage over their unsecured debts. It agreed a further two-month interest-only period as a concession until late 2024. Mr and Mrs T continued to pay the interest-only equivalent towards their mortgage following the concession ending and so arrears began to accrue.

Mr T complained to Metro in early 2025. Metro said its decision to decline changing the mortgage to interest-only until 2027 still stood. But it offered £100 to Mr and Mrs T as it thought its communications about this decision could have been clearer. Mr and Mrs T didn't accept this and referred their complaint to our Service.

Metro later agreed to another 12-month interest-only concession from May 2025. Mr T thought Metro should have agreed to this in September 2024 when the previous concession ended. This would have prevented the interest-only payments Mr and Mrs T made during this period showing as arrears on their credit file.

Our Investigator thought Metro had fairly declined Mr and Mrs T's request to move to interest-only until 2027. And he didn't think that because Metro had now agreed to another 12-month concession, that meant it had made an error by not agreeing to do so sooner. He thought Metro had correctly recorded arrears on Mr and Mrs T's account for the period of time they were paying interest-only without an agreed arrangement to do so in place. But following the 12-month concession being granted, he didn't think it was fair for Metro to report the arrears had increased due to the monthly contractual payment being recorded as a lower interest-only amount. He recommended Metro update Mr and Mrs T's credit file to show the arrears remained the same as before the concession and pay them £300 compensation for the distress this has caused.

Metro agreed, but Mr and Mrs T didn't, and they asked for the complaint to be reviewed by

an Ombudsman. They still couldn't understand why Metro wouldn't agree to change the mortgage to interest-only until the fixed rate ended, or why the 12-month concession hadn't been offered sooner meaning their credit file wouldn't show any arrears. They said the impact to their credit file has had significant consequences for their businesses. And that they will now be forced to sell their home and incur considerable charges. They reiterated the significant impact of all this on their emotional and mental wellbeing.

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'm very sorry to hear of the difficult circumstances Mr and Mrs T are in and the impact that this situation has had on them. I've carefully considered whether I think Metro has treated Mr and Mrs T unfairly here, but I can't agree that it has.

It's important to establish that lenders are entitled to set their own lending criteria, and this includes when a lender considers it acceptable, or not, to change the repayment terms of a mortgage from capital and interest to interest-only. This is a significant change to a mortgage and it's reasonable for a business to set criteria on when it will, or won't, accept such a change. Lenders set their own criteria based on their commercial judgment and risk appetite, as well as considering what is affordable and in the best interests of the consumer.

So, while changing the mortgage to interest-only was never guaranteed, I've needed to consider whether Metro gave fair consideration to Mr and Mrs T's request to do so. And more broadly, whether Metro treated Mr and Mrs T fairly and fulfilled its obligation to show forbearance towards Mr and Mrs T when they made it aware they were having financial difficulties.

When Mr and Mrs T took out the mortgage, they agreed to repay both the capital and interest each month. So as a starting point, Metro is entitled to receive those payments from Mr and Mrs T. Mr T has explained that he believes that as he has maintained the interest payments throughout, the mortgage should not be reported as being in arrears. But I don't agree. Mr and Mrs T agreed to make a set contractual monthly payment, and they have not maintained this payment amount. Unless this was agreed with Metro, the account would not have been kept up to date as agreed, and it would therefore be in arrears.

Mr and Mrs T shared with Metro that they were experiencing financial difficulties, and Metro did agree to periods of interest-only temporarily. In granting these concessions, I consider that Metro was acting fairly and reasonably, because it allowed Mr and Mrs T time for their situation and business cash flow to improve. But this was always a temporary short-term measure, and it couldn't be left in place longer term without Metro carrying out an affordability assessment to see if Mr and Mrs T would be able to repay the increased monthly capital and interest payments once the interest-only period ended. To do so could be detrimental to Mr and Mrs T further down the line. While these short-term interest-only periods were in place and Mr and Mrs T maintained the agreed payments, it was right for Metro not to report the account as in arrears.

I appreciate Mr T requested the interest-only period be extended to the end of the fixed term, and not indefinitely. He's said he would then be able to return to capital and interest payments after this, or sell the property without incurring an early repayment charge. However there doesn't appear to have been any improvement in Mr and Mrs T's circumstances or their ability to repay the capital and interest over the eleven months Metro agreed interest-only payments. And there was nothing to indicate that this situation would change if the period was extended further.

I have reviewed in full the internal notes Metro has provided our Service with. And I'm satisfied that it gave fair consideration as to whether it would agree to Mr and Mrs T extending the interest-only period to the end of the fixed term. The notes show that Metro considered Mr and Mrs T could afford to contribute more to their mortgage than they were, if they prioritised the mortgage debt over their other unsecured debts. Metro also considered that Mr and Mrs T had other business and personal assets available to them to repay more towards their mortgage than they were.

The mortgage is a priority debt. I don't consider it unreasonable that Metro required Mr and Mrs T to engage with this and prioritise the mortgage debt before it could offer further assistance. If Mr and Mrs T had other means available to pay more towards the mortgage, such as not prioritising unsecured debts, then it's not unreasonable for Metro to expect them to do this. So, I don't consider Metro acted unfairly by not agreeing to a further interest-only period for these reasons.

After the temporary interest-only period ended, Mr and Mrs T continued to pay the interest-only amount without Metro's agreement. This was ultimately Mr and Mrs T's decision. But they weren't maintaining their account in the agreed way, and Metro has a duty to report this to credit reference agencies. The account was in arrears, so it was fair and accurate for Metro to report the account as such.

Since the complaint has been referred to our Service, Metro Bank has agreed to act outside of its policy and agree a further twelve-month interest-only period. This has been put in place from May 2025. I can understand Mr T's point that as Metro has now agreed to this, it could have done so when the previous interest-only period ended. While I agree Metro could have done this, it was still a business decision for it to make as to whether it would act outside its policy. Metro wasn't acting unreasonably by declining a further interest-only period while Mr and Mrs T weren't engaging with it on contributing more towards the mortgage. I don't think Metro now agreeing to a further interest-only period outside of its policy means that it should have done so sooner or that it should have backdated the interest-only period. So, I can't fairly require it to do so now.

I know this isn't the decision Mr and Mrs T were hoping for, and I'm sorry to disappoint them. Especially given the significant impact they have explained the arrears are having on them and their businesses. But as I've explained, Metro has a duty to accurately report how they have managed their mortgage. From September 2024 to May 2025 there was no arrangement in place, so Mr and Mrs T were expected to pay the full contractual monthly payments. This didn't happen. So, it is not unfair or unreasonable that this is accurately reported to credit reference agencies.

I do agree with the Investigator that the correspondence Mr and Mrs T received from Metro about the new 12-month interest-only period explained the arrangement wouldn't have a negative impact on their credit file. However, when Metro has put this in place it has increased the amount of months Mr and Mrs T's account shows as being in arrears. This is because the contractual monthly payment amount recorded was decreased in line with the interest-only amount, meaning the arrears equalled more monthly payments. I don't think this is fair. Mr and Mrs T's credit file is clearly very important to them. If it had been clear that this arrangement would put their credit file in a worse position, I'm not persuaded they would have gone ahead with it, and instead I think they would have continued as they were.

Our Investigator has recommended that Mr and Mrs T's account should be reported as being in the same arrears as it was before the 12-month interest-only concession began. This should continue while the 12-month concession is in place, unless Mr and Mrs T make any

repayments or don't meet the interest-only amount. I agree this a reasonable way to put things right in these circumstances.

Our Investigator also recommended Metro pay Mr and Mrs T £300 directly for the distress they were caused by being told their credit file wouldn't be impacted by the concession, only to later find it was. Given how important this is to Mr and Mrs T, I agree this has caused them significant distress so it's right that Metro compensate them for this. And I agree £300 represents a fair and reasonable way to put things right.

My final decision

I uphold this complaint. Metro Bank PLC must amend Mr and Mrs T's credit file to show arrears remained the same as was reported before they entered into the 12-month concession. It must also pay Mr and Mrs T £300 directly for the reasons I've explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs T to accept or reject my decision before 8 December 2025.

A handwritten signature in black ink, appearing to read 'E. Taskas', with a stylized flourish at the end.

Emma Taskas
Ombudsman