

The complaint

Mr and Mrs H complain that Bank of Scotland plc, trading as Halifax, mis-sold them an interest-only mortgage in 1999.

What happened

In 1999 Mr and Mrs H and Mrs H's mother, Mrs M, took out an interest-only mortgage to buy a property under the right to buy scheme. They borrowed £30,500 over a term of 25 years against a property valued at £66,000. They also took out a life assurance policy and an endowment policy with a sum assured of £30,500.

In 2016 Mrs M sadly died and her name was removed from the mortgage. In 2024 Mr and Mrs H made a complaint about the sale of the policies and the mortgage. Their complaint about the policies is being considered separately. This complaint is about the mortgage. They complain that they shouldn't have been sold an interest-only mortgage, instead they should have been given a repayment mortgage and that's what they would have taken had they been given the option.

Halifax said the mortgage wasn't mis-sold and the documents from 1999 were clear that it was interest-only and that Mr and Mrs H were responsible for having a repayment plan in place to repay it at the end of the term.

In late 2024 the mortgage term ended. Mr and Mrs H sold the property and repaid the mortgage.

Mr and Mrs H later referred their complaints to us. Our Investigator didn't recommend that this complaint should be upheld. Mr and Mrs H didn't accept that conclusion and, through their representative, asked for an Ombudsman's review.

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.

Having done so, I've come to the same overall conclusion as the Investigator, for much the same reasons.

Mr and Mrs H took out this mortgage nearly 25 years before they made this complaint. I think there was enough information on the statements Halifax sent them each year for them to have realised many years ago that their mortgage was operating on an interest-only basis and they would need to repay the capital in 2024. As our Investigator explained, part of their complaint therefore falls outside the time limits I must apply. However, I have considered whether the sale of the mortgage resulted in lasting unfairness in the relationship between Halifax and Mr and Mrs H. I don't think it did.

I've looked carefully at the available records of the mortgage sale from 1999 and I've considered everything Mr and Mrs H's representative has said about them. One of the

representative's key points is that "House purchase (redemption)" was given as Mr and Mrs H's highest priority on the questionnaire the Halifax adviser completed in 1999. He has said that this shows Mr and Mrs H wanted no risk and a guarantee that their mortgage would be repaid at term end, and they should therefore have been advised to take a capital and interest repayment mortgage.

I don't think it would be reasonable to consider one small part of a document in isolation, or that this particular part necessarily means the only possible recommendation was a repayment mortgage. The adviser also wrote on the questionnaire:

"With regard to Attitude to Mortgage Repayment you would like the opportunity to repay your mortgage before the end of the agreed term or the potential for an additional cash sum to spend. You are willing to accept the risk that there may not be sufficient money to fully repay your mortgage on time without an increase in your payments."

In the personal financial report in which he set out the reasons for his recommendation the adviser said he had "considered all the options for repayment, including capital and interest payments" and:

"I have recommended an investment linked mortgage with the Halifax Home Plan as you require an investment which aims to repay your mortgage at the end of the term [...] You would like to build up a cash sum which aims to repay your mortgage and possibly provide a surplus for your use. You are prepared to accept an increased risk to achieve this."

It was a requirement of the mortgage that Mr and Mrs H took out the Halifax Home Plan and that is what they did. Halifax sent them statements for the mortgage each year reminding them that their mortgage was interest-only, how long the remaining term was, and that they should check to ensure their investment was on track to repay the mortgage by the end of the term.

Halifax's records say that it discussed repayment of the mortgage with Mr H in December 2018, when Mr H told it that the endowment was on track to clear the mortgage balance on maturity in November 2024. However, on a later call in April 2024, he told it that he and Mrs H had needed to cash in the policy to help them through a period of ill health.

I was sorry to read about the difficulties Mr and Mrs H had. In deciding this complaint I must consider all the circumstances and not just the sale of the mortgage in isolation. Those circumstances include what happened in the years after the mortgage started. Mr and Mrs H used the investment intended for repayment of the mortgage for purposes other than the mortgage and, while I recognise that they may have felt they had no other option at the time, this left their mortgage without a repayment plan.

In all the circumstances, I don't find that I can fairly say the sale of the mortgage on an interest-only basis created any lasting unfairness between Halifax and Mr and Mrs H. I don't think the adviser's recommendation was necessarily unsuitable, and for most of the mortgage term Mr and Mrs H had a repayment vehicle in place. I also think that, if there were any unfairness, Mr and Mrs H had the opportunity to mitigate that many years ago if they were concerned about repaying the capital they borrowed – by raising those concerns with Halifax or by making a complaint if they thought they were being treated unfairly.

For these reasons, while I realise this isn't the outcome Mr and Mrs H were hoping for, I don't uphold this complaint.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H and Mrs H to accept or reject my decision before 15 December 2025.

Janet Millington
Ombudsman