

The complaint

Mr M complains that Nationwide Building Society has treated him unfairly in claiming that the arrears on his mortgage are higher than they in fact are and in not accepting his payment proposal.

What happened

Mr M has an interest-only mortgage with Nationwide which he took out in 2005. The term ends in 2030. In recent years Mr M has struggled to afford the monthly mortgage payments and the mortgage has been and continues to be in arrears.

Since 2020 Nationwide and Mr M have come to various concessionary arrangements. In February 2023 Nationwide wrote to Mr M confirming that the mortgage interest rate would be reduced to 4.94% for six months and he should pay £1,027.75 each month for that period. It also said that the mortgage arrears stood at just over £7,600 and:

“If payments are made as agreed at the end of this arrangement we’ll consolidate your arrears. Consolidating means your arrears will be added to your outstanding mortgage balance and then be repayable over your remaining mortgage term, so you won’t be in arrears anymore. We’ll recalculate your monthly payments to take this into account.”

Mr M then paid slightly more than the required payments for the six-month period. But Nationwide didn’t then consolidate (or capitalise) the mortgage arrears. It said it wanted to review Mr M’s financial situation before doing so. Mr M didn’t think this was fair and he made a complaint.

Nationwide sent him its final response to the complaint on 22 August 2023. It said it had made mistakes with the administration of the payment arrangement and it apologised. But it said it wouldn’t capitalise the arrears because it wanted to be sure that the mortgage would be affordable for Mr M if it did so, and to do that it needed to discuss his circumstances with him. It also said that Mr M could refer his complaint to the Financial Ombudsman Service if he remained unhappy, but he would need to do so within six months of the date on its letter.

Mr M stopped making payments to the mortgage. In June 2024 Nationwide reduced the interest rate on the mortgage by putting in place a two-year fixed rate of 4.99%. The mortgage continued to be in arrears and Nationwide took legal action. In July 2024 there was a possession hearing, which was adjourned.

Mr M made a complaint about the action Nationwide had taken to recover the mortgage debt. Nationwide sent him its final response to this complaint on 6 August 2024. It said it had considered his payment proposals but declined them because they wouldn’t repay the arrears within the remaining mortgage term, and it had responded in 2023 to his complaint about the arrears not having been capitalised at the end of the six-month payment arrangement.

In October 2024 Mr M went into Breathing Space for two months and a court hearing set for October was adjourned. At around the same time Mr M made an application for Support for

Mortgage Interest (SMI). He complained that Nationwide caused delays in his application and, once the application had been approved and the Department for Work and Pensions (DWP) sent Nationwide backdated payments, it rejected those payments. He said the arrears balance Nationwide was claiming was therefore wrong.

In late December 2024 there was a further court hearing. It was adjourned because of the dispute about the arrears. Nationwide sent Mr M its final response to his complaint about its handling of his SMI application and payments on 29 January 2025. Its response also covered its handling of Mr M's subject access requests, the debt recovery action it had taken, the arrears balance, the date the mortgage payments are due, and its complaint-handling.

In January 2025 Mr M asked the Financial Ombudsman Service to look into his complaints. He said in summary that the arrears balance Nationwide is claiming is wrong, because the arrears balance as it stood on 31 July 2023 should have been capitalised as agreed, and because Nationwide had received but rejected SMI payments. He considered the correct arrears balance to be just under £5,000. He had proposed to pay £119 each month to the arrears, on top of the usual monthly payment, over the remaining mortgage term – but Nationwide had unfairly rejected that proposal and said he needed to pay more than £700 a month to the arrears in order to repay them within two years. He also said he expected to sell some land within six months which would enable him to clear the arrears in full and he expected soon to get a new job. He wanted Nationwide to correct the arrears balance and accept his payment proposal.

Our Investigator said that we couldn't look into Mr M's complaint that Nationwide had failed to capitalise the arrears in 2023, because Mr M had referred that complaint to us too late. He said we could look at Mr M's complaints about Nationwide's handling of the SMI payments and its decision to reject Mr M's recent payment proposal. He went on to consider those complaints but didn't recommend that they should be upheld.

Mr M didn't accept that conclusion, so the complaint has been referred to me to decide as the final stage in our process.

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 sorry to hear that Mr M has faced difficulties with his health in recent months and I hope that things improve for him soon. I've noted that he has asked for more time to make further submissions on multiple occasions. However, more than two months have now passed since Mr M received the Investigator's assessment of his complaint, and I don't consider it either necessary or reasonable to extend time further in the circumstances. I'm also satisfied that I can decide this complaint fairly on the basis of the evidence and arguments the parties have provided to date, all of which I've considered very carefully. Having done so, while I realise this isn't the outcome Mr M hoped for, I'm not upholding this complaint.

I agree with our Investigator that I can't consider Mr M's complaint that Nationwide didn't consolidate, or capitalise, the mortgage arrears in 2023. Nationwide responded to that complaint in a final response dated 22 August 2023. The final response was clear that Mr M needed to refer the complaint to us within six months and if he didn't do so Nationwide wouldn't consent to us looking into it. Mr M didn't contact us until 2025, outside the six-month time limit. I can't set aside the time limit on grounds of exceptional circumstances given that he was in contact with Nationwide during that six-month period and could also therefore have got in touch with us.

I can look into the rest of the complaint Mr M has brought to us. In doing so I've taken account of his view that the Investigator mischaracterised his complaint by oversimplifying it and omitting Nationwide's procedural breaches from his summary, and I've reviewed everything Mr M has told us. That includes his letter of 4 January 2025 in which he set out his grounds of complaint. The grounds of complaint described in that letter are that the arrears balance Nationwide was claiming he owed was wrong – because Nationwide hadn't capitalised the arrears in 2023 and because it had rejected SMI payments in December 2024 – and it was therefore treating him unfairly in not accepting his proposal to repay the arrears over the remaining term at £119 a month. This is the complaint Mr M brought to us and this is the complaint I've considered, insofar as it isn't time-barred for the reason I've set out above.

The DWP made the first SMI payments to Mr M's mortgage in early December 2024. There were two payments, totalling £6,570.03. Nationwide's records indicate that it initially understood just one payment of £6,570.03 had been made. It therefore searched for a payment of that amount when Mr M asked it what had happened to the money but was unable to find it. It later located the two separate payments; its records show that they had been returned to the sender because only initials, instead of the name of the payee, had been included in the payment instructions. I don't think this supports Mr M's view that Nationwide returned the payments deliberately in order to inflate the arrears balance on his mortgage.

Nationwide confirmed to Mr M what payments it had received from the DWP in its final response letter of 29 January 2025. If Mr M believes that SMI payments have been made direct to Nationwide and not returned to the DWP he can ask the DWP, as the sender of the money, to trace the payments. Nationwide explained this process to Mr M in its email to him of 13 December 2024. I haven't seen anything to show that Nationwide received and retained SMI payments intended for Mr M's mortgage which it failed to credit to the account – and so I can't reasonably conclude that the arrears balance is wrong.

In December 2024 Mr M sent Nationwide a completed income and expenditure form which he had completed with the help of a debt advice charity. He offered to pay £119 each month towards the mortgage arrears. Nationwide didn't accept his proposal. It wrote to him saying it had made its decision based on the information he had given, the outstanding arrears and previous failed arrangements – and it would continue with legal action.

The arrears at the time were just over £19,000. That figure decreased when an SMI payment was credited to the mortgage soon afterwards. I think it should have been clear to Nationwide that Mr M's successful SMI application would help make the mortgage more affordable, so on the face of it there may have been scope for a payment arrangement to be reached. I would expect Nationwide to have tried to discuss this with Mr M instead of simply rejecting his proposal. However, I'm satisfied that it did that – it discussed his proposal with him by phone before it made its decision and decided that it would take too long to repay the arrears at the rate Mr M was proposing. A court hearing was scheduled for four days later, and in the circumstances I don't think Nationwide was unreasonable in deciding to proceed to court to see if an agreement could be reached there. I don't think I can reasonably conclude that Nationwide should have accepted Mr M's proposal.

Since December 2024 the mortgage has remained in significant arrears. They reduced following the application of the SMI payment in January 2025 but then increased again to around £19,000 because the monthly payments received haven't been enough to cover the mortgage interest. I can't consider how Nationwide has treated Mr M recently in seeking to recover the mortgage debt, because Nationwide must first have the opportunity to respond to any complaints before the Financial Ombudsman Service can become involved.

It wouldn't be fair to either Mr M or Nationwide if I were to impose a payment arrangement now. However, I note that in June 2025 Nationwide wrote to Mr M saying it wanted to try to find a way forward and consider consolidating the mortgage arrears and extending the term to make the payments more affordable – but it first needed to consider his present circumstances to ensure that any new arrangements are affordable and sustainable. I hope that Mr M and Nationwide are able to reach an agreement for repayment. Repossession should be a last resort but Nationwide may ultimately decide to re-apply to court to take that step if no agreement can be found.

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 M to accept or reject my decision before 5 January 2026.

Janet Millington
Ombudsman