DRN-5900358

The complaint

Mr and Mrs K complain about their mortgage with Bank of Scotland plc (BoS). In particular, they're unhappy with the support it has provided when they experienced financial difficulties, and with the interest rate it has charged them.

What happened

Mr and Mrs K have a part and part mortgage with BoS. The total balance is around £230,000, of which around £217,000 is on interest only terms, with the rest on repayment. There are around 15 years left on the term. The mortgage was on a fixed rate of 2.21% until 31 January 2025, due to revert to the standard variable rate (SVR) from 1 February.

Mr and Mrs K therefore spoke to BoS in December 2024, with a view to arranging a new interest rate. They also wanted to switch more of the mortgage to interest only terms to reduce the payments. After discussion about their circumstances and how the mortgage would be repaid at the end of the term, BoS said it couldn't increase the interest only element of the mortgage. It recommended a new five year fixed rate of 4.81%. Mr and Mrs K accepted the recommendation to lock the rate in, but were concerned about how high it was and agreed BoS would contact them again in January to see if rates had changed in the meantime.

In January, BoS said it had a two year fixed rate of 5.38% available as well as the five year rate which was unchanged. There was some discussion about whether it was worth re-valuing the property to see if the loan to value would change the rates available, but Mr and Mrs K decided not to go ahead with this. They accepted the five year fixed rate.

BoS allows a 28 day cancellation period. On 20 February, Mr and Mrs K asked for the five year rate to be cancelled because they'd now decided to take a two year fixed rate. By this time, the best rate available to them was 5.08%. This meant a monthly payment of over £1,000 – the payment on the previous fixed rate was around £470. BoS implemented the new rate.

Mr and Mrs K complained. They said that their monthly payment had substantially increased and this was unaffordable for them. They were unhappy with the interest rates BoS had available, especially when compared to the rates offered by other lenders. They wanted BoS to offer them a reduced payment for two years to make the mortgage more affordable.

BoS said it had looked at Mr and Mrs K's circumstances. It couldn't switch any more of the mortgage to interest only terms permanently. It had offered a six month switch to interest only under the Mortgage Charter, but Mr and Mrs K hadn't wanted that because it would increase their payments at the end of the six months. It said Mr and Mrs K could take a fixed rate at any time, and there was nothing to stop them moving to another lender if that would allow them to get a better rate than BoS had to offer.

Our investigator didn't think BoS had acted unfairly. He said that BoS had offered Mr and Mrs K a new interest rate from the range of rates it had available at the time. It had also discussed other ways of supporting them.

Mr and Mrs K didn't agree. They said they were looking for long term support, and BoS had nothing available to help them. They said the interest rates they were offered meant a significant increase to their mortgage payments, and the rates were higher than those offered by other lenders. They weren't able to move to another lender.

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 of Mr and Mrs K's situation. I'm sure it was very worrying for them when they reached the end of their old fixed rate and found that the new rates available were significantly higher and would result in their monthly payment almost doubling.

Unfortunately, in the time since the last rate was taken out, interest rates had risen widely, and this had an impact on the rates BoS was able to offer. However, I'm satisfied that the rates BoS offered Mr and Mrs K were the best rates it had available to them at that time. Those rates were in line with what other lenders – including other lenders in the wider Lloyds group – had available. And while they were slightly higher (around 0.2%) than the rates offered to new customers I don't think that was unfair. It's not unreasonable for firms to have different products available to new and existing customers and the rates BoS offered to existing customers such as Mr and Mrs K were not significantly different to rates available elsewhere.

However, taking a new interest rate – or remaining on the SVR – would significantly increase Mr and Mrs K's monthly payments, causing them financial difficulty. I've therefore also thought about whether there was more BoS could reasonably have done to help them.

It wouldn't be fair to expect BoS to offer a reduced interest rate specific for Mr and Mrs K. Its interest rates reflect the commercial realities at the time – including the increases in interest rates in recent years. They're the same as the rates offered to all other eligible customers.

Mr and Mrs K say they wanted a two year reduced payment arrangement. This isn't something that BoS offers. And it's not entirely clear what they meant by this. As I say, BoS couldn't offer them a lower two year fixed rate than the rates it actually had available. A reduced payment arrangement generally means an agreement that the lender will collect less than is actually due. But that doesn't change the amount that is due each month – and collecting less means that the mortgage goes into arrears as a result.

Mr and Mrs K rejected the offer of a six month interest only period under the Mortgage Charter, because it would mean that their payments would go up at the end of the six month period. The same would be true of any reduced payment arrangement. If, for example, Mr and Mrs K took a reduced payment arrangement for two years, then at the end of that period they would not only have to resume making their full payments, but would also have to pay the amounts they'd missed over the previous two years. Their credit files would also show that they were in arrears by arrangement over that period.

A reduced payment arrangement therefore isn't a longer term solution, and it wasn't unreasonable that BoS didn't offer it. A reduced payment arrangement is a shorter term option, to help a borrower in immediate financial difficulty while they try to resolve things (for example, by looking for a new job having been made redundant). It did offer to consider a three month arrangement, to be reviewed at the end of that time, but Mr and Mrs K wanted a longer period.

A permanent switch to interest only also wasn't possible. Most of the mortgage is on interest only terms anyway, so switching the rest wouldn't make a huge difference to the monthly payment. And Mr and Mrs K didn't have an appropriate repayment strategy to repay the capital at the end of the term.

As I say, I'm sorry to hear of Mr and Mrs K's difficulties. But I don't think BoS treated them unfairly. It offered the best rate it had available to them. And there was no way of reducing their payments beyond that without the mortgage going into arrears. But if Mr and Mrs K are experiencing problems keeping up with the mortgage, they should reach out to BoS, and BoS should consider what support it can offer.

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 Mrs K and Mr K to accept or reject my decision before 5 January 2026.

Simon Pugh
Ombudsman