

## **The complaint**

Mr and Mrs S said that Stonehaven UK Ltd trading as Canada Life didn't tell them that interest would continue to accrue on their interest-only lifetime mortgage during an agreed three-month Covid-19 payment deferral. Mr and Mrs S complained in June 2025, when they came to redeem the mortgage, that the outstanding balance was higher than they thought it should be.

## **What happened**

The details of this complaint are well-known to the parties, so I won't repeat them again. Instead, I'll focus on the reasons for my decision.

## **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.

Mr and Mrs S had an interest-only lifetime mortgage. This meant that they had committed to make the interest payments each month, rather than the interest rolling up like it does with other lifetime mortgage products. In April 2020 Mr and Mrs S took a three-month Covid-19 payment deferral and, upon redeeming the mortgage in 2025, they complained that the balance was higher than they expected.

The Investigator didn't recommend the complaint be upheld. My review has determined the same. This is for the following key reasons:

- Whilst a copy of the call recording would have resolved this situation, I can't hold Canada Life liable for not being able to locate that as the call happened over five years ago and was at a time when the entire country was in a lockdown and businesses were adapting to its staff working at home with little notice.
- When the government announced the lockdown restrictions, it also announced that mortgage borrowers would be able to request payment deferrals on their mortgage (these were initially referred to as payment holidays, but payment deferral is a more accurate term, since the payments missed must be made up at a later date). A payment deferral doesn't mean that payments don't need to be made at all. It's a temporary holiday from making payments which are deferred to some future date but must be made up. But because those payments weren't made when they fell due, then they were added to the mortgage balance. The effect of this is then that interest is charged going forward on that new higher balance.
- There are various methods of making up a payment deferral – the missed payments can be made in a lump sum, they can be spread over a few months, or they can be added to the mortgage balance and paid off gradually over the rest of the term (known as capitalisation). Canada Life capitalised Mr and Mrs S's three deferred payments, and that's why their mortgage balance, and therefore interest charged, went up.

- Whilst the payments didn't need to be made for those three months, there was no requirement for a business to suspend interest on the mortgage and, from my experience of that time, most (if not all) lenders continued to charge interest, and then charged interest on any higher balance that resulted from the payment deferrals. So, I don't think Canada Life was incorrect in continuing to charge interest during the payment deferral, nor was it incorrect to then charge interest on the higher balance that came about due to those payments not being made when they contractually fell due. They were being treated in the same way as other mortgage customers that took a Covid-19 payment deferral, and in line with the guidance issued by the regulator.
- I accept it is possible that incorrect, or incomplete, information could have been given, but Mr and Mrs S could never have been in a position where they could not make those three payments when they were due and not be charged additional interest on them. Mr K told Canada Life that he needed the payment deferral so it seems that paying the interest due for those months wasn't an option for them otherwise he wouldn't have needed to ask for the payment deferral.

In conclusion, I find Canada Life acted in line with the regulator's guidance for Covid-19 payment deferrals when it charged interest on the new, higher, balance that resulted from the payment deferrals, so I don't uphold the complaint.

### **My final decision**

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs S to accept or reject my decision before 9 April 2026.

Julia Meadows  
**Ombudsman**