

The complaint

Mr M complains that Bank of Ireland (UK) Plc (“BoI”) refused to allow him to sell part of the land which forms security for his mortgage. Mr M said this sale would have greatly improved the position of his mortgage, and he couldn’t understand why BoI turned him down.

What happened

Mr M’s home is mortgaged with BoI. He told us he had been experiencing some financial difficulties for some time, struggling to pay his interest-only mortgage. This mortgage had around three years remaining on its term, when Mr M received an offer to buy part of the land which forms the security for his mortgage. This land would be developed after being sold. Mr M would retain his home, and would have received a sum which was a little less than his outstanding mortgage.

Mr M asked BoI to release part of its security, to allow this sale to go ahead. BoI charged Mr M an admin fee and a valuation fee to consider his request. Mr M initially proposed to pay off £150,000 of his remaining mortgage, which was around £330,000.

When it received the valuation, BoI said it would not release any part of its security. Mr M said he offered to pay all of the proceeds of the sale towards his outstanding mortgage, reducing his mortgage to around £45,000, but BoI wouldn’t agree. He said he even offered an additional £10,000 on top of that, borrowed from family, which would reduce his mortgage still further, but BoI declined.

Mr M has told us he regarded this as a once in a lifetime opportunity, and he was desperate not to miss it. He borrowed from family to redeem the mortgage completely, allowing him to sell part of his property. He has told us he then borrowed to repay his family, as soon as he was able, and later cleared that loan as part of a remortgage elsewhere.

Mr M has complained to BoI about this, but BoI didn’t think it had done anything wrong. BoI said it had previously agreed to a part-release application a few years earlier, but that approval was only valid for six months, and that application didn’t proceed. So when Mr M asked again about part-release, BoI needed to reconsider.

BoI said it received a valuation of the property which would be left once this sale went through. When Mr M asked about part release, his mortgage was £331,000, but after releasing part of the land the valuation said the remaining property would only be worth £220,000. BoI then declined the sale, due to the reduction in value of the remaining property.

BoI said it had considered Mr M’s request carefully, but it was worried about how Mr M would repay the balance of the mortgage at the end of the term, which wasn’t far away. And BoI was concerned that the development of the sold area of land might then affect the saleability of the property in the future. That was all the more likely if the proposed development was still being constructed, which was a real possibility given the timescales involved. BoI said it also wasn’t entirely clear exactly what would be built there.

BoI’s letter to Mr M said that even with a partial redemption, Mr M’s Loan to Value (“LTV”)

would still be over 80%. It wouldn't agree to the sale.

Our investigator didn't uphold this complaint. I won't set out his reasoning in full here, as I haven't adopted it.

Mr M said that couldn't be right. He said a sale would have allowed him to pay off the great majority of his mortgage, putting him in a much better position. He thought Bol had valued his remaining property much too low, but he said even on that valuation, he would still clearly be much better off, and his LTV would be well under 25%. With the additional borrowing he'd offered from his family, the LTV would have been down to almost 10%. He couldn't understand why this had been turned down. He stressed just how difficult this had been for him, to find that a lifeline to clear his mortgage lending was out of reach.

Mr M wanted his complaint to be considered by an ombudsman, so it was passed to me for a final decision. I then considered this case, and I reached a provisional decision.

My provisional decision

I issued a provisional decision on this complaint and explained why I did propose to uphold it. This is what I said then:

I think it's clear Mr M is deeply unhappy with how BOI has operated. He raised wider questions about the current and historic valuations that BOI obtained for the property and also with whether BOI should still have been holding a security over the land he intended to sell for development. Although I note Mr M's concerns as background to my considerations here, both of these issues are outside of the immediate scope of this complaint. I must focus on the complaint raised with BOI, which is about whether BOI acted fairly and reasonably when it refused to allow the sale of the adjacent land.

Mr M's position before he received the offer to buy the adjacent land, was not an enviable one. He had been having difficulties for some time making his mortgage payments. The mortgage term was coming to an end, meaning the entire capital would be due for payment. When Mr M took out this interest-only mortgage, he'd said he would be repaying the capital by selling the property at the end of the term. With the term end approaching, Mr M wanted to stay in the property. He was looking at the sale of other properties, but I understand these sales had not yet happened when he got an offer to buy the land adjacent to his house, and asked Bol to release its security over that.

Bol refused, apparently because of reasons which centred on its concerns about Mr M's ability to pay off the mortgage at the end of the term. This appeared to me to be counter-intuitive. Mr M owed around £331,000, due for payment in three years, with an LTV of just over 65%. If Bol had allowed Mr M to sell part of the property, then that could have reduced the value of the security to around £220,000. But it could also have reduced his debt very considerably, if Bol had made it a condition of this release that the whole of the proceeds of the sale were used to pay down Mr M's mortgage.

Reading the information that Bol sent us, including its reply to Mr M's complaint at the time and its own internal considerations, my concern was that these didn't show Bol had actively considered requiring Mr M to pay all of the funds generated from any sale towards his mortgage, or the position that both he and Bol would then be left in if he did so. It's clear from correspondence at the time that this wasn't Mr M's initial suggestion, but Mr M has been adamant that he made this proposal later in the discussions with Bol. And I would also say this appears to me sufficiently obvious a suggestion that, even if he had not done so, I would have expected Bol to consider this as an option.

It is difficult to understand why Bol would not offer a part-release, based on most or indeed all of the proceeds of the sale then being used to reduce Mr M's mortgage. I don't think Mr M's calculations had allowed for all of the costs involved in the sale, and the ERC he would need to pay on his existing mortgage, but I do still think Mr M could have been left with a mortgage of around £50,000.

I understand Bol was uncomfortable with Mr M's repayment strategy for the lump sum which would soon be due on his existing mortgage, and also had concerns about whether the remaining property would be difficult to sell if it was situated next to a building site. But even taking these issues fully into account, it is still difficult to see how this sale, which could have produced a quite significantly lower LTV, would not have placed both Mr M and Bol in a very much improved position overall. Because of that, I think this part-release request ought to have been agreed, subject to conditions requiring all proceeds of sale to be used to reduce Mr M's mortgage.

Bol turned down the request. Fortunately, Mr M was supported by his family, and was able to borrow informally to redeem his mortgage. The development land was then sold.

Mr M paid a £100 administration fee and a £380 valuation fee to have his part-release request considered. I think Mr M was entitled to expect that these payments would lead to a fair consideration of his request. And unfortunately, I haven't been able to see that Bol did then fairly and reasonably consider Mr M's request. So, although I appreciate that Mr M would have been charged these fees if his application had been approved, I still think these fees should be repaid by Bol now.

If Bol had allowed Mr M to sell part of its security subject to the proceeds being used to redeem the mortgage, then Mr M would always have needed to pay an ERC on that lump sum payment to his mortgage. So some of the proceeds of sale would have been used for this. But Mr M wanted to redeem most of his mortgage, not all of it, and I think if Bol had fairly and reasonably considered Mr M's application, it would have allowed this. So I think Bol should pay back some of the ERC it charged Mr M.

As I've noted above, I think it's likely that, after costs and an ERC, Mr M would have been able to clear all but £50,000 of his outstanding mortgage. I don't think he could have paid off quite as much as he suggested, because an ERC was payable on any large lump sum payment made to reduce the mortgage balance, and some of the proceeds of sale would have needed to go towards that.

As part of clearing this mortgage, Mr M paid an ERC of £6,331.16. I think that Bol should pay Mr M back the ERC he paid on £50,000 of that borrowing.

Mr M has been deprived of this additional money used to pay the ERC, so I think Bol should add interest to this sum. It should add 8% simple interest, from the date the above payment was made, to the date this refund is paid to Mr M. (Bol is required to take tax off this interest, I will ask it to tell Mr M how much has been deducted, in case he's able to claim that back.)

Mr M said the informal lending from family needed to be repaid, but he said he wasn't able to get a new mortgage right away. He secured a loan in early 2025 which allowed him to repay family, and then remortgaged the property in October 2025. I understand that when Mr M was repaying the loan, this was at a higher rate of interest than his previous lending with Bol. But, whilst Bol may be responsible for Mr M having to seek other lending, it's not Bol's fault Mr M then found it difficult to obtain that, and initially had to take out an unsecured loan. I don't think Bol has to meet the costs of that lending, or contribute to the mortgage which Mr M has now.

But I do think Bol should also pay some compensation here, to reflect the impact this had on Mr M. He has showed us the number of calls he made to Bol whilst his part-release request was under consideration. I can see that he was in frequent contact with Bol about its decision, and he's told us just how worried he was about this. We know he was struggling to meet his mortgage payments. Previous arrears were cleared by a family member, and Mr M had a considerable amount of unsecured debt at the time. He was then thrown the potential lifeline of selling some of his land, and paying off the overwhelming majority of his mortgage. Mr M told us how desperate he became, thinking that he might not be able to do this.

Given the impact on Mr M and his family that he has described, I think Bol should pay an additional £500 in compensation in this case.

I think the above payments would provide a fair and reasonable outcome to this complaint.

I invited the parties to make any final points, if they wanted, before issuing my final decision. Both sides responded.

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 G wanted to thank me for the decision, he said it was a source of relief to him and his family. He said Bol should not have acted in this way, and he was pleased someone had recognised that. Mr G said he would, however, like me to reconsider the compensation payable, because he thought he and his family had been through something no one should have to suffer. He said any payment to him should be sufficient to provide a deterrent for Bol, so the mortgage team would re-examine its procedures. He thought this should be so much higher than the £500 I proposed. And he said he was still paying for Bol's actions in loans he had to take with interest.

I appreciate Mr G and his family would have had a very difficult and stressful time when Bol would not agree to his request for part-release. It's fortunate that Mr G's family were able to help and support him in this, otherwise the situation may have been much worse. So I understand why Mr G would say that Bol shouldn't benefit from a lower award, just because his family were supportive. But our service doesn't exist to punish Bol, and I can't ask it to make a higher payment to deter future mistakes. All I can do is look at the impact on the account holder, Mr G himself, here and provide compensation which takes that into account.

I know Mr G considers that he's still paying for Bol's mistakes now. But my provisional decision says Bol could, and probably should, have agreed to the part-redemption subject to applying all the proceeds to his mortgage. That would have left him owing around £50,000. I've already explained I don't think it was Bol's fault that Mr G initially had to take lending at a much higher interest rate to repay the loans from family. And I don't think the much larger mortgage that Mr G is currently paying, is comparable to the position he would have been in if Bol had not made its mistakes. Mr G has a considerably higher amount of lending now, than I think he would have been left with if Bol had acted as it should, and I don't think that's related to any of the steps that Bol took here.

Here, I do think my initial proposal of £500 in compensation for the distress and inconvenience does provide part of a fair and reasonable outcome to this complaint. Bol has set out for Mr G the other payments he will also receive, so I will provide those figures below.

BoI said it agreed with my provisional decision, and wanted to support the resolution set out there. So it said it had worked out how much this would be, for Mr M. It said the ERC charged was 2%, so the refund required under my award would be £1,000. I had asked BOI to add interest to that, it said if the payment were to be made on 31 December 2025 then interest would add up to £82.64 before tax. It would also refund the £100 Administration Fee and £380 Valuation fee, and pay £500 in compensation.

For the above reasons, I haven't changed my mind about the appropriate outcome in this case. So I'll now make the decision I originally proposed.

My final decision

My final decision is that Bank Of Ireland (UK) Plc must pay the following amounts –

- A refund of the £100 administration fee and a £380 valuation fee that Mr M was charged.
- A refund of the Early Repayment Charge that Mr M was charged on £50,000 of his borrowing, when the mortgage was redeemed, plus 8% simple interest on that amount, from the date the above payment was made, to the date this refund is paid to Mr M. HM Revenue and Customs requires Bank Of Ireland (UK) Plc to take off tax from this interest. Bank Of Ireland (UK) Plc must give Mr M a certificate showing how much tax it's taken off.
- £500 in compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 20 January 2026.

Esther Absalom-Gough

Ombudsman