

## The complaint

Mr and Mrs S are unhappy with how they were treated when the term of their mortgage with Bank of Scotland plc trading as Halifax ended.

## What happened

Mr and Mrs S had a mortgage with Halifax that they'd taken out in 2007 through a mortgage broker. They initially borrowed £246,000 (plus £599 fees) on an interest-only basis, over a 12-year term. and the term was due to end in October 2019.

In January 2019, as their mortgage term was ending later that year, Mr and Mrs S applied for a new, extended mortgage term and a new preferential rate product. The mortgage offer issued in January 2019 said they were borrowing £245,866 on an interest-only basis over five years. The interest rate was fixed at 2.44% until 30 April 2021.

In 2021 Mr and Mrs S took a new preferential interest rate product, this time it was fixed at 1.44% until 31 July 2023, after which it would move to Halifax's standard variable rate ("SVR").

In February 2023 Mr and Mrs S said they intended to sell the property, and in July 2023 they said it was on the market with a different agent. At that time they were told that, once the term ended, Halifax would be able to agree two Sale of Property holds of up to six months at a time.

The mortgage term ended on 31 January 2024, and in April 2024 a six-month Sale of Property hold was put in place to run until October 2024. In October 2024 Halifax looked at whether another formal term extension could be put in place but Mr and Mrs S didn't meet its affordability criteria at that time. A further Sale of Property hold was put in place until January 2025, which was the maximum Halifax's policy allowed (as that was the holds could run until 12 months after the mortgage term ended at the latest).

Unhappy with how the call in October 2024 had gone, Mr and Mrs S say they raised a complaint with Halifax. Halifax has said that complaint was resolved in the initial complaint call and closed on that basis.

Mr and Mrs S spoke to Halifax again at the end of January 2025, saying they had a prospective buyer but the buyer was overseas for a couple of months. They also said they had changed to a new estate agent and reduced the asking price.

On 7 March 2025 Halifax sent a letter to Mr and Mrs S to say it was considering legal action.

Mr and Mrs S spoke to Halifax in March and April 2025, with the April call note indicating they said they weren't able to get a remortgage as they weren't able to borrow the amount required. A complaint was raised in that April call about how they'd been treated since the term ended. Halifax responded to the complaint on 17 April 2025, apologising for the information Mr and Mrs S had received about the outstanding balance over the phone and it paid £100 compensation for that. It explained Mr and Mrs S' balance was reducing as

although they were being charged interest at the SVR, the payments they were making were based on a higher interest rate, which meant Mr and Mrs S were making a small overpayment each month. It asked that Mr and Mrs S keep in touch with its end of term team regarding the progress of the sale of the property.

Soon after Halifax wrote to Mr and Mrs S to say it was starting legal action due to the balance remaining outstanding, and it then instructed its solicitors.

In May 2025 Mr and Mrs S raised a further complaint about the legal action, legal fees, how they'd been treated and the different outstanding balance figures they'd been given. By then they'd told Halifax they'd received an Agreement in Principle for a remortgage and that application was progressing. Halifax responded on 24 June 2025 saying the mortgage term had ended in January 2024 at which time the outstanding balance became due, and as the property remained unsold it appointed its solicitors. It said that although Mr and Mrs S later said, in May 2025, that they were instead going to refinance the property, that was too late and legal preparation had already started and legal costs had been incurred. In respect of the redemption figures, it said those will vary depending on the date it is calculated.

In the meantime, the mortgage was repaid on 16 June 2025 when Mr and Mrs S remortgaged to another lender.

Our Investigator didn't uphold most of the complaint, albeit he said Halifax should pay an additional £200 compensation for the fact Mr and Mrs S' payments were higher than the interest due on the SVR and he also said it should refund any legal costs that were incurred after 19 May 2025 as by then Mr and Mrs S had said their remortgage application had been approved.

Halifax accepted our Investigator's findings. Mr and Mrs S didn't agree and so the case was passed to me to decide.

### **What I've decided – and why**

Earlier this month I issued a provisional decision, the findings of which said:

"I trust Mr and Mrs S won't take it as a discourtesy that I've condensed this complaint in the way that I have. Although I've read and considered the whole file, I'll keep my comments to what I think is relevant. If I don't comment on any specific point it's not because I've not considered it but because I don't think I need to comment on it in order to reach the right outcome.

I've a great deal of sympathy for the position Mr and Mrs S were in. It's clear they've gone through some very difficult times. I've not gone into any detail about that in this decision to protect Mr and Mrs S' privacy once the decision is published, but I've taken everything into account.

There's no dispute that Mr and Mrs S borrowed the money from Halifax in 2007 – and that they needed to pay it back. The issue here is that Mr and Mrs S weren't able to do so when the term expired in January 2024. It's worth saying that when they took the new mortgage out in 2019 Mr and Mrs S committed to repaying it when the revised term ended in January 2024 and – as a starting point, and all other things being equal – it's fair that Halifax expected them to keep to that commitment. Not least because there's a cost to a lender when it doesn't get its capital back, even when interest payments continue to be made.

However, it's also important to bear in mind that Halifax has obligations to treat its customers fairly, paying due regard to their interests. Where a customer can't repay an

interest only mortgage on the due date, a lender should work with them to try to come to some arrangement for it to be repaid. That includes considering whether a term extension to a point where a mortgage can be repaid might be fair, as well as things like converting the mortgage to repayment. A lender should try and reach an agreement where possible, with repossessing the property being the last resort. I've kept all that in mind in looking at this case.

Mr and Mrs S have said they were initially given a six-month term extension and when they phoned to request another one they were told they could only have a further three months, despite having originally been told they could have two six-month term extensions. To be clear, these weren't term extensions that Halifax was giving, they were Sale of Property holds. That is, Halifax allowed Mr and Mrs S that time to progress a sale of their property to repay the mortgage.

Halifax's policy is that two Sale of Property holds can be granted, with each one being up to six months. It's policy also states that those holds can't extend beyond a year past the term end date, so in Mr and Mrs S' case that meant the holds could only run until 31 January 2025 at the latest, which is what happened here. Mr and Mrs S could never have been in a position where they could have had a second six-month Sale of Property hold granted in October 2024; that's because the first hold wasn't put in place until April 2024, rather than in January 2024 when the term ended. I'm not saying that was the fault of Mr and Mrs S, just that they could never have been in a Sale of Property hold post January 2025 irrespective of when the holds were put in place.

Mr and Mrs S have said that in a call in November 2024 it was strongly suggested to Mrs S that she made a formal complaint about the October 2024 call, but then they didn't receive a response to that complaint. I've listened to the November 2024 call and the call handler didn't say they'd listened to the call in question. The call handler instead was just responding to Mrs S saying she'd been upset by the call; he apologised she felt that way and said he would give feedback to the agent concerned. Mrs S didn't ask to raise a complaint, and the call handler didn't suggest Mr and Mrs S would receive any formal written feedback from Halifax about it. Instead, the call handler said he would raise it as a complaint which he had resolved by giving an apology on that call, and by doing it that way he could provide feedback internally on what Mrs S had said. By agreeing to resolve the complaint on the call, which Mrs S did, Halifax doesn't then have to issue a formal complaint response letter.

Mr and Mrs S have said "*She also went through a remortgage application that I knew we would not qualify for but I did ask if they offered any other mortgage products and was told no. We were unaware that our pension could have been used or a mortgage extension or an interest only.*" Mrs S had phoned to say they'd spoken to an independent financial adviser and they couldn't find a new mortgage elsewhere, but the adviser had spoken to a business development manager at Halifax who said Mr and Mrs S should get in touch to discuss things. Mrs S asked if they could extend the term of the mortgage and apply for a new preferential rate product. We would expect a lender to look at all the options so I can't fault Halifax for carrying out an assessment to see if a new mortgage could be granted. Although Mr and Mrs S have said they were unaware that their pension could have been used, having listened to the call I can hear details of Mr S' pension were taken when the call handler asked if Mr and Mrs S had any other income that could be taken into account.

Halifax wasn't willing to grant a term extension on an interest only basis, unless it was to meet a fixed repayment plan date, such as an investment that will mature on a set date. Mr and Mrs S didn't meet that as they had said they were selling their property. It had been on the market for over a year and not sold, and as it had not sold in that time there was no guarantee it would sell in the future. That means Halifax was only willing to consider any

term extension on a capital repayment basis. I don't think this was unreasonable having considered everything very carefully.

Mr and Mrs S have said they had to phone the end of term team every 14 days to update them on the property sale and it was difficult to get through at times, with them spending a long time on the phone. I've listened to a call from March 2025 where Mrs S was told to call monthly, and it was Mrs S who questioned whether that was often enough bearing in mind a letter before action had been issued. The call handler said, on that basis, it may be better to call every two to three weeks with updates. In an earlier call Mrs S had been told the end of term department is open Monday to Saturday, with their hours in the week being 8am until 8pm and that sometimes they are busier than others. I can understand how frustrating it must be to wait in a queue, and then for a call to take longer than expected due to needing to go through previous conversations and any update. But the fact that is frustrating doesn't mean Halifax did anything wrong here. It's not unusual for a lender to want regular updates once a mortgage term has ended, that's because the mortgage is already overdue and the next step would be legal action progressing.

Halifax has acknowledged that the service it provided when Mr and Mrs S were told they owed more money than they had borrowed wasn't good enough. It has already apologised and paid £100 compensation for that. My understanding is that wasn't actually incorrect information at the time it was given, instead it just wasn't explained well. That's because at the point the information was given the call handler included the interest due that month in the mortgage balance, thus increasing it, but Mr and Mrs S hadn't yet made their monthly payment (so it hadn't yet been decreased back due to that payment). So the information wasn't wrong, as such, there was just an explanation missing about why the balance was higher, in that once Mr and Mrs S made their monthly payment the balance would be lower again. That is the mistake Halifax apologised and paid compensation for. The balance will be different every day due to the addition of interest, so if letters are issued a few days apart, or a call is made a day or so after a letter is issued, then the balance will be different in each of those.

Mr and Mrs S have said that the letter they received from Halifax's solicitor gave them 14 days to get in contact, which they did. But, having listened to the call of 9 May 2025, at that time Mr and Mrs S only had a decision in principle for a remortgage, not a full mortgage offer. The letter from Halifax's solicitor said "*If you have agreed a new mortgage...*" but by "*agreed*" it meant a formal mortgage offer. That's because a decision in principle is just based on the information provided (which may be incorrect) with no checks so it doesn't prove an application would be successful, whereas a formal mortgage offer is only issued once a full application has been made with all the supporting evidence provided and the lender, having reviewed all that, has agreed to lend. It isn't unusual for a lender, in circumstances like this, to only put things on hold once a formal mortgage offer is provided.

Mr and Mrs S have said that instead of a straightforward mortgage redemption, Halifax insisted on Mr and Mrs S' solicitor handling the mortgage transfer to the new lender, but that is completely normal when a remortgage takes place. Although Mr and Mrs S have said their new lender was happy to make a direct transfer to Halifax (saying that is what it would normally do) that would be unusual for a mortgage lender. Many remortgages from one lender to another take place every day, and for those I would expect a solicitor to be involved in both transferring the money and also in removing the existing charge from the property and adding the new one.

I understand that Halifax was unable to change the amount it collected from Mr and Mrs S each month once the term had ended. Although Mr and Mrs S have said they were "*on a penalty rate of 8.74% which is above their standard rate because they are unable to work*"

*out an interest rate for us because we are over term*”, that’s not the case. Mr and Mrs S, since their term ended, have always been charged interest at Halifax’s SVR. There is no penalty rate. The issue is that Halifax couldn’t change the monthly amount it collected when the SVR changed. The SVR was 8.74% when Mr and Mrs S’ term ended, it then changed to 8.49% on 1 September 2024, 8.24% on 1 December 2024, 7.99% on 1 March 2025 and finally 7.74% on 1 June 2025. Mr and Mrs S were charged interest at those rates in each of the relevant periods, but their monthly payment remained at the level it had been set when the SVR was 8.74%.

Mr and Mrs S couldn’t move to a new preferential interest rate once their term had ended as that isn’t an option as the mortgage is supposed to have been repaid, instead it was correct that their account remained on the SVR. They were treated the same as every other customer whose term had ended in that regard. As I said, the issue was that Halifax has no mechanism to automatically change the monthly payment it requests after the term ends, so the payment it was collecting each month was based on the SVR rate of 8.74% which is what it had been when the mortgage term ended, whereas the SVR had reduced. That means, whilst Mr and Mrs S were being charged the right amount of interest, they were overpaying slightly each month from 1 September 2024 as their payments didn’t reduce.

I’ve reviewed the transaction history for that period and I’m satisfied the overpayments came off the mortgage balance so Mr and Mrs S weren’t financially disadvantaged in terms of the mortgage account. However, as our Investigator said, it is clear those overpayments impacted Mr and Mrs S as the contact notes indicate they told Halifax they were struggling, so it seems Halifax should have discussed this with Mr and Mrs S. Our Investigator said £200 compensation was reasonable for that oversight and Halifax accepted our Investigator’s recommendation. I agree with our Investigator that a compensation payment of £200 is fair and reasonable as whilst needing to find the money may have caused distress to Mr and Mrs S, the fact is their mortgage was overdue and they needed to sell or remortgage urgently to stop legal action being pursued. So, it is likely that the need to repay the debt was a much larger cause of any distress than overpaying slightly each month.

I understand Mr and Mrs S are unhappy about the amount of legal fees they were originally quoted (around £1,180) and the confusion around that. The letter Mr and Mrs S have referred to of 14 May 2025 was a redemption statement that was generated as part of the query over the outstanding mortgage balance. The legal fees quoted on there were based on what work had already been carried out, plus a projection of what work would be carried out in the next 28 days. That is fairly normal and is due to the fact legal fees are charged by the solicitor but only invoiced in one go every so often (such as every four weeks). If a mortgage is to be redeemed it is important that there are sufficient funds to repay the debt in full (including any legal fees that have been incurred but are yet to be invoiced) as otherwise the charge can’t be removed from the property, so lenders may include a higher figure than is currently owed to take into account any legal fees projected to be incurred in the coming weeks. Obviously if those projected fees aren’t actually incurred, then the amount quoted is too high and a refund needs to be given. That’s what happened here.

Halifax has confirmed that its solicitor only billed for tasks completed up to and including 29 April 2025, which I understand came to £119.40. Halifax has said that led to an overpayment by Mr and Mrs S of £946.70 when they redeemed the mortgage.

Whilst that didn’t form part of this complaint, because Mr and Mrs S were unaware of it, it does form part of the overall issues I am deciding so I have included it here. I understand Halifax has now refunded that amount to Mr and Mrs S. However, in addition to the refund, because Mr and Mrs S have been deprived of the use of those funds since they overpaid

upon redemption, Halifax should add 8% simple interest onto that refund amount from the date Mr and Mrs S repaid their mortgage until the date the £946.70 was refunded.

Finally, as part of their assessment our Investigator said Halifax should refund any legal fees incurred after 19 May 2025, but as I've explained above no fees were incurred after that date so there is no further refund due there."

Halifax accepted my provisional decision. Mr and Mrs S made some further submissions both over the phone and in writing. I won't set out Mr and Mrs S' responses in full, and neither will I deal with their points in the same level of detail as their submissions. No discourtesy is intended by that but the answers to most of the points they've raised I'd already dealt with in my provisional decision so I would simply be repeating what I have already said. It is clear Mr and Mrs S feel very disgruntled about what happened but that doesn't mean Halifax is at fault as Mr and Mrs S believe.

Mr and Mrs S have said they weren't advised by Halifax that money in their pension pots could be drawn down and used, instead they were only asked about pension payments they were in receipt of. But that is correct and what I would expect. It would have been wholly inappropriate for Halifax to discuss changes to Mr and Mrs S' pension arrangements, even if just mentioning (or questioning whether) it is possible. That's because Halifax was their mortgage lender, it wasn't acting as a pension adviser (or independent financial adviser) and any mention of such a thing could have been construed as a suggestion, or advice, that Mr and Mrs S take some action, and that action could have led to other financial detriment to them. Any advice like that would be something Mr and Mrs S would have needed to actively seek independently. It simply wasn't Halifax's role here to raise that with them.

I note Mr and Mrs S think that the entire phone call wasn't listened to and her comment about calling more often was taken out of context. I can reassure them that neither of those are the case; the whole call was listened to, and the comment wasn't taken out of context. I don't doubt that regular calls were stressful for Mrs S, but as I don't think Halifax was wrong to push ahead with action or to require regular updates, I can't hold Halifax liable for that or for the health concerns Mrs S has said those regular updates exacerbated. That's not to say I don't have a great deal of sympathy for the situation Mr and Mrs S were in, but I can only uphold a complaint where I think a business has done something wrong, and I simply don't find Halifax did anything wrong here (over and above the service issues identified).

Mr and Mrs S have said when you call the End of Term team they spend some time listening to the previous conversation, so the call handler was aware of how the previous call had gone. But, as I explained in my provisional decision, that's not correct. The End of Term team read the contact notes of any previous conversation(s) when a caller is put on hold, but they don't actually listen to the call(s). That is entirely normal in the industry. Again, the entire call has been listened to, so it isn't a case of Halifax providing part of a transcript.

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, and having considered the full file afresh, I see no reason to depart from my provisional findings.

### **My final decision**

I uphold this complaint in part and order Bank of Scotland plc trading as Halifax to:

- Pay £200 compensation to Mr and Mrs S on top of the £100 it said it would be paying in its final response letter of 17 April 2025.
- Pay simple interest at a rate of 8% per year to the £946.70 refund from the date the mortgage was redeemed in June 2025 until the date the £946.70 refund was made in October 2025. HM Revenue & Customs requires Halifax to take off tax from this interest. Halifax must give Mr and Mrs S a certificate showing how much tax it has taken off if they ask for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs S to accept or reject my decision before 15 May 2026.

Julia Meadows  
**Ombudsman**