

complaint

Mr and Mrs L complain that Northern Bank Limited was unwilling to help them set up a finance plan that would have consolidated the amount outstanding on their mortgage with their unsecured debts. They are also unhappy that the interest rate on their mortgage reverted to the standard variable rate (SVR) in July 2017.

background

Mr and Mrs L took out the mortgage with Northern Bank in 2012. They had a 5 year fixed rate deal at an interest rate of 5.98% with contractual monthly payments of £616.31.

Arrears on the mortgage started to accrue in 2015. Mr L has explained that they were dealing with a number of unexpected financial difficulties.

On 11 April 2017 Northern Bank wrote to Mr and Mrs L to remind them their fixed rate deal would come to an end in July. Mr L got in touch to see if he could set up a financial plan that would enable them to clear their credit card and other unsecured debts and replace their car, which he needed to get to work. Northern Bank told Mr L it couldn't extend his borrowing.

Northern Bank's contact notes record that a meeting set up to discuss the mortgage going forward was cancelled by Mr and Mrs L, following a number of phone calls on 7 July when Mr L again suggested that it would be sensible for them to consolidate their debts and carry out repairs to the house. He asked Northern Bank to extend the mortgage by £20,000. Northern Bank still wasn't willing to lend Mr and Mrs L more money. Northern Bank said it was willing to look at ways of making the existing mortgage more affordable going forward. It suggested that Mr L should contact the unsecured creditors and/or seek debt management advice.

Mr L considers the continuing stance that Northern Bank has taken is very unfair. He has sent us a calculation showing that, if Northern Bank had agreed to their request, the CMP would increase by £100 but the payments on their unsecured debts amounting to about another £600 a month would be eliminated. He feels that Northern Bank hasn't been helpful in helping them deal with their financial difficulties, and that the current impasse is down to a lack of flexibility on the part of Northern Bank.

He has asked for an ombudsman to review the complaint and so it has come to me.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Northern Bank has explained that the SVR is actually lower than the fixed rate Mr and Mrs L were on prior to July 2017 with an interest rate of 4.85% and CMPs of £569.77. In any event I'm satisfied that Northern Bank gave Mr and Mrs L plenty of warning that their deal was coming to an end.

The real issue in this case is the impasse that has developed in relation to the proposals that Mr L has put forward to consolidate their outstanding unsecured debts with the mortgage, in order to reduce their overall monthly outgoings. He says by refusing to discuss the plan, Northern Bank has put them in a position where they *'have no option other than to stop our*

payments.’ He also argues that, if Northern Bank maintains its refusal to adopt the plan he has proposed, it is likely that he and Mrs L will have to declare themselves bankrupt.

Northern Bank has explained that it could only agree to lend Mr and Mrs L more money if it complied with its lending criteria, based on their income and expenditure and the history of the mortgage account. It says in increasing the debt by £20,000 Mr and Mrs L could put their home at risk, if they were then unable to keep up the higher payments. The debts that they want to consolidate with the mortgage aren’t secured on the house so, whatever action those creditors might take, would not result in the immediate risk of possession proceedings.

The decision whether or not to extend an existing mortgage is a matter of commercial judgment which we would not generally interfere with unless it appeared to be unfair or unreasonable in some way: for example if the bank hadn’t done an accurate income and expenditure assessment or had acted in a way that was out of line with its lending criteria. In this case I can find no reason to ask Northern Bank to revisit its decision. Its concerns about the affordability of a higher mortgage are grounded in the financial difficulties that Mr and Mrs L have experienced in the past. I also accept that its caution about supporting Mr and Mrs L in consolidating their mortgage with unsecured borrowing is soundly based on the increased risk of losing their home that a higher loan would create.

Mr L says that, currently, their finances are on a more stable footing. This is encouraging and it may well be that they are able to come to a sensible arrangement with their unsecured creditors. Alternatively it would be open to Mr and Mrs L to seek to refinance their borrowing elsewhere. So I don’t accept that Northern Bank’s refusal to consider lending them more money inevitably means they should stop paying the mortgage and/or are heading for bankruptcy. But looking at the situation overall, I can find nothing to suggest that Northern Bank has acted unfairly in rejecting Mr L’s plan for debt consolidation or allowing the mortgage to revert to SVR.

my final decision

I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr and Mrs L to accept or reject my decision before 16 February 2018.

Melanie McDonald
ombudsman