

## **complaint**

This complaint is about a mortgage Mr and Mrs S hold with Bank of Scotland plc trading as Halifax. They complain that Halifax did not do enough to help them with their mortgage payments when they encountered financial hardship.

## **background**

The circumstances of this complaint, briefly, are that in 2011, Mr and Mrs S requested help from Halifax after a change in circumstances meant they were having difficulty meeting their monthly mortgage payments. A request for a reduced interest rate or term extension was turned down. Instead, Halifax proposed they make no payment for two months, September and October 2011.

At the end of that period, Mr and Mrs S were surprised to receive correspondence asking them for their immediate proposals to repay the resulting arrears. They thought the arrears would be added to the balance to be repaid at the end of the mortgage. In June 2013, the bank agreed to extend the mortgage term. Mr and Mrs S say the extension should have been offered in 2011.

The adjudicator who considered the complaint was not persuaded Halifax had done anything significantly wrong. She said that because the mortgage was mostly on interest only, extending the term would have minimal benefit, and the only alternative product for which Mr and Mrs S were eligible at the time had a higher interest rate than they were already paying.

The adjudicator considered the bank had explained the nil payment arrangement in the confirmation letter, and whilst recognising they were in difficulties, concluded that the bank's options for helping Mr and Mrs S were limited.

Mr and Mrs S asked for their complaint to be reviewed. They said the term extension agreed in 2013 had reduced their payment by £42 a month, but they were now £4,000 in arrears. They had not been in arrears when they first asked for help. They also said the bank's offer of £200 compensation, which the adjudicator had endorsed, was for a different complaint.

## **my findings**

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Having done so, I have come to broadly the same conclusions as the adjudicator, and for much the same overall conclusions.

Lenders have a duty to treat consumers in difficulties fairly, and to try and help them. In the case at hand, however, I share the adjudicator's view that the avenues available to Halifax to offer real practical help to Mr and Mrs S were limited, largely by circumstance.

When they approached it for a term extension in 2011, all but about £200 of the mortgage balance was operating on an interest-only basis. Halifax has provided a calculation showing that extending the term at that would have reduced the monthly instalment by approximately £2. It is true that extending the term in 2013 has reduced the instalment by more. But that is because a greater amount of the outstanding balance – ironically, because of the accumulation of arrears - is on a capital repayment basis.

Switching Mr and Mrs S to a different product would not have helped them, because the only alternatives available at the time had a higher interest rate, and that would have caused their monthly payment to go up, not down. I appreciate the frustration Mr and Mrs S must have felt, but the reality was that the only option available to Halifax to help them was the arrangement for them to make no payments for an agreed period.

Such an arrangement, by its very nature, can only ever be temporary, because the missed payments are added directly to the mortgage balance, increasing the consumers' overall indebtedness. But what it does do is give the consumers "breathing space" in the short term. I have read the bank's confirmation letter, and do not find that it contains anything that might have misled Mr and Mrs S about the nature of the arrangement or what would need to happen when it ended.

### **my final decision**

Mr and Mrs S are clearly in a difficult position, but for all of the reasons I have set out, I am not persuaded their situation was created or made worse as a result of something Halifax did or failed to do. That is why my final decision is that I do not uphold this complaint. I leave it to Mr and Mrs S to decide whether they wish to contact Bank of Scotland plc trading as Halifax to accept its offer of £200.

Jeff Parrington  
**ombudsman**