

complaint

This complaint is about a lifetime mortgage Mr H took out with Aviva Equity Release UK Limited. Mr H is concerned the mortgage doesn't work in a fair way. He's being represented by a third party I'll call 'R'.

background

Mr H took out a lifetime mortgage in 2002. This enabled him to borrow money based on the value of his home without having to make monthly repayments.

R has complained about the fixed interest rate and the way the lifetime mortgage is constructed. He particularly feels it's increasingly unfair the longer the mortgage runs. That's because interest is compounded and there's no adjustment made to the fixed rate to reflect changes in the market rate of interest over the years since the mortgage was taken out.

R is also unhappy he was kept waiting an excessive amount of time when he phoned Aviva. He feels that not answering calls quickly is a barrier to anyone trying to get in touch.

Our adjudicator didn't recommend upholding the complaint. She set out her reasons as follows:

the interest rate

This was fixed at 7.79% when Mr H signed up to the mortgage. So this means the rate won't change and it'll remain for the duration of the mortgage no matter what happens to interest rates generally. The illustration and loan agreement provided to Mr H at the time explained this. A lifetime mortgage generally becomes repayable when the policyholder moves permanently into a nursing home or upon death. Our adjudicator said it wasn't possible to compare the interest rate on a lifetime mortgage with fixed rate traditional mortgage products as the risks and costs are very different.

construction of the lifetime mortgage

Our adjudicator said we wouldn't expect Aviva to provide confidential information about its pricing and underwriting. But interest builds up as repayments aren't being made. So it'll continue to accrue as explained in the mortgage paperwork Mr H was given when he took out the loan. There's a 'no negative equity guarantee' which means the amount to be repaid won't ever be greater than the amount the property is eventually sold for.

holding on the phone

Aviva apologised for R being on hold for several hours. It said it was experiencing a high number of calls at the time and has now taken on more staff to answer phones. Our adjudicator was sympathetic. But she felt that the cheque Aviva had sent for £50 was fair and reasonable compensation.

Overall, our adjudicator was unable to agree that Aviva had done anything wrong or acted inappropriately with regard to Mr H's lifetime mortgage.

R disagrees, so the complaint has been referred 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. I've also taken into account what R has said in response to our adjudicator's assessment. I agree with the adjudicator for the same reasons.

my final decision

For these reasons, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask R on behalf of Mr H to accept or reject my decision before 8 April 2016.

Susan Webb
ombudsman