

## complaint

Mr and Mrs B complain that Bank of Scotland plc, (“BOS”), declined an application for a further advance, even though it had accepted their earlier ones. This was because it had changed its policy. Mr and Mrs B say that BOS ought to have told them about the change before they had committed themselves to a product transfer.

## background

Mr and Mrs B took out a mortgage with BOS when they moved house in 2011. The house needed substantial works. Mr and Mrs B say that BOS said that it couldn't fund the works on a stage payment basis. So instead Mr and Mrs B proceeded on the basis of funding the works with their reserves and short-term debt. And their intention was to convert this debt to a mortgage from time to time as the improvements to the property increased its value.

BOS agreed to further advances in 2013 and 2014.

Mr and Mrs B have told us that BOS made an error in 2014. They haven't told us what it was but they have said that as a result of this there was a 6 month delay for release of funds. Mr and Mrs B say that some of their current short-term debt arose as a result of this error.

The fixed interest rate period on a large part of Mr and Mrs B's mortgage came to an end in autumn 2015. And they agreed a product transfer for that part with BOS. The terms and conditions of the new product included that an early repayment charge, (“ERC”), would be payable if Mr and Mrs B paid off any of the loan during the period for which the interest rate was now fixed.

The fixed interest rate period on the smaller remaining part of their mortgage expired earlier this year. Mr B approached BOS to fix a new rate for this. At the same time he asked for another further advance to cover the short term debt that had accrued since 2014. Unfortunately BOS' lending policy had changed in 2014. That's to say after the earlier applications for further advances were accepted. But before the product transfer of the major part of Mr and Mrs B's mortgage. BOS' policy now is not to lend money for debt consolidation if the customer has already borrowed for this purpose within the last five years. So Mr and Mrs B wouldn't be eligible for a further loan on this basis until 2019.

Mr and Mrs B say that their loan to value ratio in 2016 is just over 50%, whereas when they had first taken the mortgage it was over 80%. And borrowing the additional amount that they required would still mean that their borrowings would “continue to track down in the medium term”. So they don't understand the policy.

Mr and Mrs B say that they would have gone to another lender in autumn 2015 had they known of the policy change. BOS has told Mr and Mrs B that it had no obligation to tell them about policy changes. So it didn't think that it had done anything wrong. And therefore it wasn't prepared to waive the ERC if Mr and Mrs B moved to another lender who would fund their existing loan **and** the additional advance.

Our adjudicator didn't think that BOS had done anything wrong. As Mr and Mrs B didn't agree, the matter has been passed to me to decide.

## **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 know that this will come as a disappointment to Mr and Mrs B but I've decided not to uphold this complaint.

I realise that it had been Mr and Mrs B's intention to consolidate their debts from time to time as the value in the house was increased by the renovations they were carrying out. However there would have been nothing in the terms and conditions of Mr and Mrs B's original mortgage requiring BOS **definitely** to grant them further advances in the future. It would always have been a matter of Mr and Mrs B satisfying BOS' requirements at the time of each application.

I've seen an extract of BOS' current lending policy. I'm satisfied that it provides that two advances for debt consolidation are not allowed within a period less than five years. As BOS is entitled to use its commercial discretion when deciding on its lending policy I can't interfere with this. So I'm satisfied that BOS didn't make any error when it refused the further advance.

BOS is entitled to change its policies from time to time. And I agree with our adjudicator that there's no requirement on it to tell its borrowers of any such changes unless they ask.

I've seen BOS' note of why it recommended the particular product switch in 2015. There's nothing in it to indicate that Mr and Mrs B said that they might need to consolidate further debts after the switch. That's not to say that it wasn't mentioned; only that I've nothing on which to base a finding that it was. Accordingly, although they had had further advances for this purpose in the past, I can see no reason why, during the discussions for the rate transfer, BOS' advisor ought to have anticipated that Mr and Mrs B might want to do this again. So I'm satisfied that it was reasonable for the advisor not to have explained the change.

I've taken into account what Mr and Mrs B say about BOS having made an error in 2014, but this doesn't affect my decision on this complaint.

## **my final decision**

For the above reasons I don't find that BOS has done anything wrong.

My decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs B to accept or reject my decision before 24 November 2016.

Ros Barnett  
**ombudsman**