

## The complaint

Mr and Mrs M complain about a lack of support from United Trust Bank Limited, when they ran into difficulties paying off a bridging loan secured on their home.

## What happened

In January 2020, Mr and Mrs M arranged a twelve month bridging loan, in the form of a mortgage on their home. This was to pay off previous lending, which had been taken out to carry out building work on residential properties. They intended to repay the loan by selling the finished properties.

Unfortunately, the coronavirus pandemic delayed the completion and sale of these properties. Mr and Mrs M asked UTB for an extension to their loan in September 2020. This was granted for six months from January 2021. Mr and Mrs M then asked for a further extension, in May. That was refused, and in September UTB issued a pre legal action letter.

Mr and Mrs M said they had tried to arrange payment schemes with UTB, but these were rejected out of hand. They had thought that an offer made on 20 September was accepted by UTB in its letter of 28 September. But on 30 September they were told if they didn't make payment within seven days, solicitors would be instructed.

Mr and Mrs M felt they'd been bullied into paying off this loan, when UTB could easily have given them more time and restructured the loan. They said they had been forced to borrow from family, cash in most of their savings, and arrange an equity release loan. They wanted UTB to apologise, and to return some of the interest it received when it knew that they couldn't sell the properties during lockdown periods. Mr and Mrs M said they did appreciate that UTB gave them an extra six months on the loan term, but they had paid a further fee and extra interest of £10,000 until the loan was cleared.

UTB sent a detailed timeline and rebuttal of Mr and Mrs M's complaint. It didn't think it had done anything wrong. It said that this was a twelve month bridging loan. Mr and Mrs M weren't required to make monthly payments, they were just asked to pay the capital and accrued interest at the end of the term.

UTB said Mr M asked for an extension to the loan in September because of the pandemic. A six month extension was agreed, running until 15 July 2021. That was subject to conditions. The first condition was that Mr and Mrs M had to provide a marketing update on the sale of their properties by 25 March 2021. When UTB wrote to Mr and Mrs M about this, Mr M said there had only been one viewing.

The second condition was that Mr and Mrs M had to provide evidence of an alternative repayment strategy if a sale wasn't agreed by 25 May 2021. When UTB asked them about this, Mr and Mrs M said they still wanted to sell the properties, but couldn't do that right away. They asked for another extension, this time for twelve months, but UTB refused. It said it would consider a shorter extension. So Mr and Mrs M did provide a marketing report, and asked for nine months to sell, but UTB refused.

UTB continued to press Mr and Mrs M for that alternative strategy to pay off their loan. On 19 August, it told them that they were in breach of the loan conditions, as this hadn't been provided. Mr and Mrs M offered to pay the monthly interest until a sale went through. But UTB said that this wasn't an ordinary mortgage, and it hadn't assessed the affordability of monthly repayments for Mr and Mrs M. So it wouldn't take monthly instalments of interest.

Mr and Mrs M said they would start making payments of £10,000 instead. That was in line with the original contract. But by 16 September they still owed almost £220,000 and repayment was overdue by two months. Mr and Mrs M still hadn't explained how they would pay off the loan. So UTB sent a pre-action legal notice.

Mr and Mrs M told UTB they were arranging an equity release loan to pay back part of their borrowing with UTB, and the remainder was coming from savings and family. UTB would wait for that lending to go through, before most of its loan was paid back. But it wanted Mr and Mrs M to pay off the part of their loan which was being repaid from savings right away. It said the information they had provided for their equity release mortgage showed they could afford this, and interest on the bridging loan was increasing. UTB said if it didn't receive this part of the repayment by 7 October it would have no option but to instruct solicitors to issue a Formal Demand. Fortunately, Mr and Mrs M paid this money on 7 October, and on 18 October 2021 their equity release loan cleared the rest of the bridging loan from UTB.

UTB said it had never just rejected proposals from Mr and Mrs M out of hand. It had looked carefully at everything they suggested, but it couldn't always do what they wanted. UTB didn't think it had acted unreasonably. In particular it wanted to stress that it was prepared to wait for the equity release mortgage to be completed, it just wanted Mr and Mrs M to pay the remainder as soon as possible, for the reasons it had explained. UTB strongly disagreed that it had bullied Mr and Mrs M into paying off the loan.

Our investigator didn't think this complaint should be upheld. He said he'd expect to see UTB provide support to affected customers, during the pandemic. And he thought UTB had offered support in the form of a six-month extension to 15 July 2021. Both sides thought that would allow time to finish the works and market the properties. Our investigator noted that UTB reduced the extension fee down to 0.5%. But UTB wouldn't extend again, or accept monthly payments that only covered the interest. Our investigator noted that the contract only allowed for partial repayments of £10,000 or more.

Our investigator said he appreciated that Mr and Mrs M would be upset to receive a letter before action when they'd started to pay down the balance, but he thought UTB was setting out the next steps as the full payment of the loan was a couple of months overdue.

Our investigator said he was sorry to see that Mr and Mrs M's plans were impacted by the pandemic. But he was satisfied that UTB provided reasonable forbearance. It agreed one extension and reduced its fee for that. It then provided clear expectations around what it needed in terms of exit plans. Our investigator thought it did consider the request for a second extension. And as Mr and Mrs M had already agreed an alternative exit strategy, our investigator didn't think it was unfair or unreasonable of UTB to ask them to put those plans into motion. Our investigator didn't think Mr and Mrs M were bullied into repaying the loan.

Mr and Mrs M didn't agree. They said UTB had benefited from the effect of the pandemic, it profited by continuing to charge interest at the same rate. And Mr and Mrs M thought our investigator should have commented on the useless advice leaflets it sent them, about payment holidays and reduced monthly payments. None of this was available to them.

Mr and Mrs M stressed that the six month extension was at their request. They thought UTB could have easily swapped the bridging loan for a repayment style loan. They still thought

UTB should apologise, and repay half the interest it had charged.

Our investigator didn't change his mind, but Mr and Mrs M said they were still unhappy. They said other banks gave payment holidays, to all borrowers. But all they got was a six month extension at extra cost and threats of legal action when this finished.

Our investigator said those customers who got payment deferrals, still had to pay their loans, they just had to make up missed monthly payments later. And Mr and Mrs M weren't making repayments under their loan agreement. So it looked like the first term extension provided by UTB would be more appropriate for them. He also noted that they asked for the second extension after the Financial Conduct Authority's (FCA) deadline for applying for payment deferrals had passed.

Mr and Mrs M still felt UTB could have been more reasonable or sympathetic. They said there was a lack of communication from UTB, with only legal threats before it finally allowed them time to get together the money to pay the loan off. Mr and Mrs M still thought UTB could quickly have turned the loan into a repayment or interest only mortgage.

Mr and Mrs M said they didn't ask for a payment deferral because they didn't know they could. They thought that should have been offered. And they said it couldn't be fair when UTB made an extra £10,000 out of something that was beyond their control and they lost that same amount. Mr and Mrs M said the value of the property secured far exceeded the loan, so UTB couldn't lose. They said that UTB had taken until 30 July (after their loan was up) to refuse a further extension, although they'd asked for this on 10 June.

Mr and Mrs M still thought UTB didn't help them. Because no agreement was reached, this case was passed to me for a final decision.

I then reached my provisional decision on this case.

### **My provisional decision**

I issued a provisional decision on this complaint and explained why I did not propose to uphold it. This is what I said then:

This was a bridging loan, but it was secured on Mr and Mrs M's home, so it was in the form of a mortgage. I'm satisfied it was covered by the FCA payment deferrals guidance issued during the pandemic. However, that guidance was more closely focussed on those who were struggling to make monthly payments to a mortgage during that time. I don't consider that a payment deferral would have been an appropriate offer for Mr and Mrs M in 2020, simply because there was no monthly payment due on this loan.

I can see that the term of Mr and Mrs M's initial loan was extended by six months. I think this extension did represent an appropriate response by UTB. It deferred repayment until a point where both UTB and Mr and Mrs M thought that the houses would be sold, and they could use that money to repay the capital and the interest.

Mr and Mrs M complained that though UTB halved its fee, it still charged for this term extension. They also complained that it continued to charge interest during this time. I don't think UTB had to entirely waive the fee for term extension, or interest, during this period.

I think that continued charging of interest during this time is comparable to the payment deferral offered to longer term mortgage customers in line with relevant regulatory guidance. Those payment deferrals didn't mean that interest wasn't charged; instead,

monthly payments were simply deferred – and, as I've already said, Mr and Mrs M weren't required to make monthly payments to this loan.

It is usual for this type of loan to carry a fee – so charging a fee for an extension would be in line with this, as well as in line with the contract Mr and Mrs M had signed. And I also note that Mr and Mrs M did later receive a further short extension, until they were able to make alternative arrangements to pay. So I think charging half the fee when UTB did agree to a six month extension wasn't unreasonable in these circumstances.

However the issue here, as with other forms of mortgage, is that interest was continuing to accrue on the money UTB had lent to Mr and Mrs M. The interest on this loan was all being deferred to the end, when it needed to be paid along with the capital, as a lump sum. It's not in Mr and Mrs M's interest to allow this interest to continue to build.

I've considered whether UTB ought to have agreed to the further extension to the term that Mr and Mrs M then requested, or made other changes to the mortgage product that they held. And I've taken into account the FCA guidance at the time. But I don't think it was clear that the properties were going to sell in the short term. And Mr and Mrs M had been asked to provide an alternative way to pay the money back. So I think in these circumstances it was more appropriate for UTB to refuse a further long extension, and ask Mr and Mrs M to take steps to put their borrowing on a different footing. And because this was always a quite different sort of lending to an ordinary mortgage (it wasn't longer term lending, or to finance a house purchase) I don't think that UTB had to offer to turn this into a different sort of lending, more like an ordinary mortgage, for Mr and Mrs M.

I think that's why UTB asked Mr and Mrs M to put in place an alternative way to pay back their loan when it granted the first extension. And I do think it was then reasonable, when UTB wasn't satisfied with the progress on selling their properties, for it to decline a further extension from 15 July onwards.

I don't, though, think it was reasonable for UTB to take until 31 July 2021 to respond to a request for a term extension made on 10 June, particularly as the extended loan term ended on 15 July. Mr and Mrs M said they were anxious about not having heard from UTB during this time. And I can see that UTB's earlier acceptance of the first request for an extension also appears to have come after the end of the original mortgage term. So it isn't clear that Mr and Mrs M would have been anticipating this refusal, and this timing has caused them some distress. Because of that, I think UTB should pay Mr and Mrs M £200 in compensation to cover the distress this caused.

I do understand it was upsetting for Mr and Mrs M then to receive threats of legal action from UTB. But I think UTB did need to warn Mr and Mrs M of the eventual end position if they weren't able to repay their debt. I'm glad to see that UTB did wait for Mr and Mrs M's further mortgage to complete before the bulk of the money was paid back. I don't think UTB was wrong to ask that the money which wasn't coming from this mortgage was paid in advance of the mortgage money. Mr and Mrs M's equity release mortgage documents said this money was coming from savings. So I think it was in Mr and Mrs M's interest to pay this part of their loan off, and stop interest accruing on this part of their lending as soon as possible.

Mr and Mrs M said that they were given false hope by leaflets they were sent along with letters about legal action. I accept that the leaflets they were sent are primarily aimed at those with ordinary longer term lending, but they do also cover issues around the possibility of losing one's home. And Mr and Mrs M's lending was secured on their home, so I don't agree that those leaflets were entirely unhelpful in this situation.

I know that Mr and Mrs M will be disappointed by my decision, but aside from a payment of compensation for the element of poor service that I've identified above, I don't think the remainder of this complaint should be upheld.

I invited the parties to make any final points, if they wanted, before issuing my final decision. Mr M replied on behalf of himself and Mrs M. UTB didn't reply.

### **What I've decided – and why**

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

Mr M thought the award I'd suggested was paltry and an insult. And he disagreed with my summary of the case.

Mr M wanted to stress how poor the communications from UTB had been, and that it had repeatedly tried to bully them both. He felt most people would agree UTB's communications were bullying. He said UTB hadn't been proactive in offering support during the pandemic, and hadn't offered reasonable forbearance when he and Mrs M were unable to sell the properties they wanted to use to repay the lending. He didn't think I'd taken account of the difficulties the pandemic caused. He complained about UTB's lack of understanding, and the money it had made out of them. He said it had responded late to their request for a second extension on their bridging loan, and hadn't responded at all to some of their proposals.

I understand that Mr M has very strong views on what UTB did, and the standards it ought to be held to. And I appreciate this has been a very stressful experience for them. However, I explained in my provisional decision why I did think UTB's term extension decisions were reasonable, and comparable to the support offered to holders of ordinary residential mortgages during the pandemic. It wasn't unusual for borrowers to need to approach a lender for help during the pandemic, rather than the lender proactively offering support.

I know UTB had a very unpleasant message to put across to Mr and Mrs M, because their lending was secured on their home, but I didn't accept that UTB's communications with Mr and Mrs M were bullying.

I'd like to respond specifically to two new points Mr and Mrs M have raised. Mr and Mrs M felt they didn't need to agree a way to repay their loan that was acceptable to UTB, they said they just had to show some evidence of this. But that doesn't fit with the terms of their agreement, which said "*in the event that the Loan has not been repaid within ten months of the Commencement Date you will agree with us a revised strategy for the repayment of the Loan in full.*" The letter granting an extension to their loan didn't override this.

Mr and Mrs M also said they got no response to their offer to pay UTB monthly interest. They thought it never considered this, and just sent a pre-legal action letter in mid-September. But UTB has shown us a reply it sent on 31 August, which explains its position on this. I don't know why Mr and Mrs M didn't get this, but I do think it's likely that this was sent.

I'd like to close by saying that I didn't intend any insult to Mr and Mrs M by saying that UTB should pay £200. I realise that it will be disappointing to them to be awarded a sum which is very much smaller than the amount of profit they consider UTB has made. But my provisional decision didn't uphold the majority of their complaint points, and this is the amount I considered provides a fair and reasonable outcome for the one point I have upheld.

Although I haven't set Mr M's response out in full here, I have considered all of Mr M's further points. But I haven't changed my mind. I'll now make the decision I originally proposed.

### **My final decision**

My final decision is that United Trust Bank Limited must pay Mr and Mrs M £200 in compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M and Mr M to accept or reject my decision before 29 August 2022.

Esther Absalom-Gough  
**Ombudsman**