

## **The complaint**

Mr G and Miss G complained that The Co-operative Bank Plc (trading as Platform) would not offer them a new interest rate on their mortgage.

## **What happened**

Mr G and Miss G took out a mortgage with Platform in 2007 for around £136,500 on an interest only basis over a term of 25 years. The mortgage was taken out on a three year fixed rate of 5.79% after which point, the interest rate would revert to a rate set at 2.25% above LIBOR (The London Inter-Bank Offered Rate).

LIBOR was a reference rate which reflected lending costs between financial institutions and was a measure of the cost of borrowing and funding various forms of credit. Some variable mortgage rates would be set up to track a reference rate such as LIBOR by a certain percent for either part or all of the mortgage term.

From December 2021, LIBOR ceased to be published and lenders had to choose a new reference rate to apply to their tracker rates and in this case, they chose SONIA (Sterling Overnight Index Average).

Mr G and Miss G are unhappy that Platform are not able to switch the interest rate on their mortgage and believe themselves to be mortgage prisoners. They would like Platform to provide them with a letter confirming they are mortgage prisoners in order to show this to other lenders.

Platform have explained that Mr G and Miss G are not eligible for new rates or able to apply for an internal remortgage due to the loan to value (LTV) on the mortgage being around 140%.

Mr G and Miss G believe they are being treated differently to other customers and would like another interest rate. As they were unhappy with what Platform had said, they brought their complaint to the Financial Ombudsman Service where it was looked at by one of our investigators.

Our investigator didn't uphold the complaint and didn't agree that Platform had treated Mr G and Miss G any differently to any of their other customers in the same position by not offering them a new rate.

Mr G and Miss G didn't agree with the investigator. They said Platform have contradicted themselves as they told them they are a closed book lender and therefore a 'mortgage prisoner'. They said they have never been advised that an LTV of less than 99% qualifies them for a new product and have been told they cannot get a new interest rate regardless.

Mr G and Miss G said they were not given any option to make a lump sum payment to be able to bring the LTV down – if this was the case – so that they could be given a new interest rate. They also made reference to complaints against another entity of the Co-op group which they believe is the same as their complaint – unfairness that new interest rates are not permitted to closed book lender customers.

As Mr G and Miss G disagreed with the investigator, they asked for the complaint to be reviewed by an ombudsman, so it's been passed to me to decide.

## 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 G and Miss G have complained to Platform previously about the interest rate on their mortgage. The Financial Ombudsman Service issued an outcome on this complaint in October 2020. Mr G and Miss G have complained about their situation and about not being able to get a new interest rate since they complained last time – so we have already agreed that we will be able to consider what has happened since then.

*Has Platform acted unfairly by not offering Mr G and Miss G a new mortgage interest rate?*

Mr G and Miss G's mortgage offer says that after their initial fixed rate ended after three years, their rate would revert to a rate that was 2.25% above LIBOR.

There is nothing in the terms of the mortgage contract that says Mr G and Miss G are entitled to a new interest rate after the initial three-year period, or that Platform had to offer them a new rate.

And there was nothing in the rules of the mortgage regulation that required Platform to offer new rates either. Although it's a common feature of the mortgage industry that lenders offer new rates to existing customers, and for that reason customers might expect their lender to do so, not all lenders make new interest rates available to their customers and there's nothing that says that a lender *has* to do so.

Platform have explained that Mr G and Miss G are not eligible for a new interest rate due to the LTV on their property. Their final response dated 21 September 2022 explains that Mr G and Miss G did apply for a remortgage internally in January 2020, but this was declined due to the LTV on the property – which was part of their previous complaint. This letter also explains that Mr G and Miss G can opt to make a lump sum payment to reduce the LTV as this may improve it. As it stands, it appears that Mr G and Miss G do not meet Platform's criteria for a new interest rate.

Where a lender does offer products, under MCOB 11.8.1, they should treat all customers with similar characteristics the same. When it comes to new interest rate products, the LTV is a relevant characteristic.

Platform are treating all of their customers in a similar position in the same way. So while it's frustrating that they are unable to offer Mr G and Miss G a new interest rate, Platform are not treating Mr G and Miss G any differently to any of their other customers who have an LTV of over 100%.

Mr G and Miss G have said that they were never told by Platform that the reason they couldn't change their interest rate was due to the fact that their LTV was over 100%. They said that if they knew this, they may have been able to make a lump sum payment towards the mortgage to reduce the LTV. The final response letter that Platform has sent does explain that Mr G and Miss G have the option to make a lump sum payment to reduce the LTV without incurring any early repayment charges. So I'm not persuaded that Mr G and Miss G didn't know this was an option.

I appreciate that Mr G and Miss G have said that Platform have told them all along that they were not able to obtain a new interest rate – but there are different reasons for this. Platform didn't offer any new products to any of their existing customers – so Mr G and Miss G were not being treated any differently. But after the FCA voluntary scheme was introduced, Platform were then able to allow Mr G and Miss G to apply to remortgage internally to a Britannia branded mortgage to see if Mr G and Miss G could get a new rate. But because of Mr G and Miss G's LTV on the property, this fell outside of Britannia's lending criteria.

The Co-op have confirmed that neither Platform nor its Britannia brand have any products for mortgages that are over 100% LTV– so again, they are not being treated differently to any other customer in a similar position.

I understand that it may be difficult for Mr G and Miss G to remortgage because of their LTV, but they may want to seek independent advice to see what options may be available to them.

Based on this, I don't think Platform are acting unfairly by not offering Mr G and Miss G a new interest rate and I can't agree that they are being treated differently to anyone else in the same position.

*Has Platform unfairly increased Mr G and Miss G's interest rate since 2020?*

Mr G and Miss G have told us that the crux of their complaint stems from the recent interest rate increases to their mortgage and are unhappy with how much they have increased by.

When their fixed rate expired, the mortgage initially tracked LIBOR – as stated on the mortgage offer. But as explained, this reference rate has since moved to SONIA as the LIBOR rate is no longer published. Platform didn't decide what the LIBOR rate was set at and the same applies to the SONIA rate now; those reference rates were independently set. Platform will only make changes to Mr G and Miss G's interest rate every three months to ensure that their interest rate is 2.25% is above the reference rate.

I do understand the concern that Mr G and Miss G have about the rising interest rates on their mortgage, but interest rates have generally been rising more recently and I can't say that Platform have acted unfairly in how they have been setting the interest rate since October 2020.

*Has Platform acted unfairly by not providing Mr G and Miss G with a letter confirming they are mortgage prisoners?*

Mr G and Miss G have explained they would like Platform to provide them with a letter which says they are mortgage prisoners so they can use this to show other lenders. I don't think that Platform have acted unfairly here by not giving Mr G and Miss G a letter.

The Financial Conduct Authority (FCA) introduced new rules which meant that borrowers who were up to date with their mortgage payments but unable to change their product or move to another lender may be eligible to switch to a better deal with lenders who signed up to a modified affordability assessment scheme. This was in place to help those borrowers who were defined as 'mortgage prisoners'.

These rules came into force in October 2019 whereby the FCA introduced changes to the rules which might help some borrowers switch to a more affordable mortgage deal. These new rules are based on mortgage payment history rather than the affordability assessment. This meant at this time, Mr and Miss G may have been able to switch their mortgage to a new lender – and Platform would have considered this if they met their lending criteria.

If these borrowers were eligible, they would have received a 'mortgage prisoner' letter from their lender which they could then use to try and see if they could switch to a new lender. These letters vary from lender to lender but might include a LTV of no more than 85%.

Mr G and Miss G have not received this letter because it doesn't appear they are eligible. I appreciate they are unfortunately unable to move to a new lender but that is because of the current LTV of their property. Their current LTV does not meet Co-op or their other brands' criteria because they do not offer mortgages for those with a LTV of over 100%. So they are not eligible to receive a letter because of these reasons.

As a final note, Mr G and Miss G have made reference to other complaints that have been upheld by the Financial Ombudsman Service – but these complaints are not the same as the one that Mr G and Miss G are complaining about here. I therefore won't comment on this any further.

**My final decision**

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G and Miss G to accept or reject my decision before 19 February 2024.

Maria Drury  
**Ombudsman**