

The complaint

Mrs B complains that Bank of Scotland plc trading as Birmingham Midshires (BM) did not extend her fixed-interest product in line with her term extension.

What happened

Mrs B applied for a term extension on her interest-only buy-to-let mortgage with BM—extending the term to her 80th birthday. A term extension of two years and five months was agreed, and BM wrote to Mrs B on 15 May 2023 to confirm the changes to her account.

BM wrote to Mrs B in the summer of 2023 to confirm that her two-year fixed-interest rate product she had agreed in 2021 was coming to an end.

Mrs B queried this with BM as she thought she had extended both her mortgage term and her mortgage product during the calls in May 2023.

BM investigated and issued a final response letter not upholding Mrs B's concerns. It explained that it does not offer direct sales so would not have been able to discuss the rate with Mrs B and would've instead referred her to a broker. Instead, the calls focused on extending the term of the mortgage and it didn't think Mrs B or her representative, Mr B had asked it for a rate extension or rate swap.

Dissatisfied with BM's response, Mrs B's representative referred her complaint to our service.

One of our investigators looked into the complaint but didn't think it should be upheld. She listened to the calls and wasn't persuaded that Mrs B or her representative had asked BM about extending or swapping the fixed-rate product. Instead, she found the call focused on extending the mortgage term itself as Mrs B did not want to clear the balance of her interest only mortgage if she did not need to.

Mrs B and her representative disagreed with the investigator's findings. They explained that when asking about the interest rate on the call they were told it would "remain the same" and this was confirmed in BM's letter of 15 May 2023 which said, "Your mortgage product and interest rate remain unchanged."

As the complaint could not be resolved informally, it has been passed to me for a final decision.

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.

I have considered all of the submissions made by the parties in determining this complaint. Having done so, I am not going to uphold it. I realise this will come as a disappointment to Mrs B, but I hope my reasons below will help her to understand why I have come to this conclusion.

Mrs B's representative called BM in May 2023 and asked to extend the mortgage term. He did not ask to extend the fixed-rate product or to take out a new fixed-rate product during this call or the second call that took place.

Had Mrs B's representative asked this, BM has said he would've been told to seek independent financial advice as it no longer offered direct sales to new or existing customers. It has highlighted that Mrs B has used the services of a broker for her previous rate application for this reason. It has also explained that fixed rate products cannot be extended. They have a fixed end date after which the interest rate secured with the product will expire and a new product would have to be taken out should the consumer wish to stay on a fixed interest rate.

As Mrs B's representative did not ask for a new rate the two calls focused on extending the term of her mortgage only.

I have listened to the calls, and I can appreciate Mr B asked if the rate would stay the same. The adviser confirmed it would and reiterated that the only thing he was changing was the mortgage term. This is accurate – as Mrs B was not taking out a new interest rate product, the current product would continue on the account unchanged. This does not mean the interest rate product would now be extended to the end of the new mortgage term, which would have amounted to a change. Rather, it means BM had not amended the existing mortgage product (the interest rate) so it would continue unchanged until its expiry on 31 July 2023.

I can appreciate why Mrs B and her representative may have interpreted this response as meaning that her rate would stay the same for the rest of the term, but this is not what BM said nor do I think this is what its confirmation letter sent on 15 May 2023 explained either.

Instead, the letter sent on 15 May 2023 confirmed that Mrs B had extended her mortgage term. It did not say she had extended or taken out a new fixed-interest rate product. It then confirmed that her mortgage product and interest rate remained unchanged and later explained that her repayment amount may change in the future if interest rates increased. I am aware that Mrs B and her representative read this letter as confirming in writing that her rate will not change for the entire term of the mortgage – but this is not what the letter says.

A mortgage and a mortgage product are two different things. Mrs B extended her mortgage term (the mortgage) and therefore it was right for BM to confirm her mortgage term had been extended in writing and that the new expiry would be October 2025.

A mortgage product in contrast, is an interest rate product that a consumer may choose to apply to their mortgage – such a product will normally have a fixed end date upon which the mortgage will revert to the lender's standard variable rate unless the consumer takes out a new mortgage product. A mortgage product is not tied to an individual consumer's underlying mortgage term – it has its own start and end dates that operate in isolation to the underlying mortgage contract.

Overall, taking everything into account, I am not persuaded BM has made an error or otherwise treated Mrs B unfairly. It agreed to Mrs B's term extension request and confirmed the changes in writing. When asked if the interest rate on the mortgage would change, it correctly confirmed it would not as it was only extending the mortgage term. I'm satisfied that the written confirmation sent by BM sets out what changes Mrs B had made to her mortgage and that her interest rate remained unchanged. So, it follows that I am not going to recommend that this complaint be upheld.

My final decision

For the reasons set out above, I do not uphold this complaint and I make no award against Bank of Scotland plc trading as Birmingham Midshires

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 8 April 2024.

Lucy Wilson
Ombudsman