

The complaint

Mr and Mrs O complain about the way Northern Bank Limited, trading as Danske Bank, has treated them in connection with their secured self-build home loan.

What happened

Mr and Mrs O took out a secured self-build home loan of £125,000 with Danske over a term of 18 months. Their project didn't go as planned; they encountered delays and increased costs, and found that they hadn't borrowed enough money to finish the property.

Danske extended the loan term three times, each time for six months – so for 18 months in total. But it wouldn't lend Mr and Mrs O any more money on affordability grounds. In June 2021 Danske sent Mr and Mrs O a final demand for repayment and moved the account to its Recoveries department.

Mr and Mrs O made a complaint. They were unhappy with how they had been treated and were worried about the impact of Danske's demand for payment on their credit files.

On 23 July 2021 Danske sent its final response to the complaint. It said it hadn't done anything wrong and set out some of what had happened. Its letter also said Mr and Mrs O could refer the complaint to the Financial Ombudsman Service if they remained unhappy, but they would need to do so within six months.

Mr and Mrs O and Danske had further discussions about repayment, and Danske agreed not to take any further action to recover the debt for six months while Mr and Mrs O looked into refinancing elsewhere.

In summer 2022, the property build was complete and in January 2023 Mr and Mrs O sent Danske the relevant building control certification. In May 2023, Danske received the architect's completion certificate.

Between February and May 2023, Mr and Mrs O and Danske had a number of discussions about restructuring the loan onto a standard mortgage.

In July 2023 Mr and Mrs O complained to Danske again. They had managed to borrow money elsewhere to finish the build but had ended up with more debt as a result which they needed to refinance, and said Danske hadn't done enough to help them.

On 3 August 2023 Danske sent its final response to this complaint. It apologised for any confusion in discussions with Mr and Mrs O, and said it was still working on repackaging the loan onto a mortgage as soon as possible.

In August 2023 Mr and Mrs O referred their complaint to the Financial Ombudsman Service. They said Danske had destroyed their credit rating and reputation, and its failure to help them had caused severe stress and affected their mental health.

In September 2023 Danske offered Mr and Mrs O a residential mortgage to refinance the loan, over a 25-year term on an initial two-year fixed interest rate. The mortgage offer was for £119,500 – less than the remaining loan balance. Danske said it would write off the difference of around £3,500. Mr and Mrs O didn't accept the offer, so the loan remained outstanding.

Our Investigator concluded that the Financial Ombudsman Service can only look into Mr and Mrs O's complaint about events that happened after 23 July 2021. He said this was because they hadn't referred the complaint which Danske dealt with in its 23 July 2021 final response letter to us within the six-month deadline for doing so. The Investigator went on to consider what had happened after that date, and concluded that Danske hadn't treated Mr and Mrs O unfairly.

Mr and Mrs O didn't accept that. They said that Danske would need to reduce the debt much further in order to put things right, and they can't remortgage with another lender because of what Danske has done to their credit rating.

Mr and Mrs O also said that their complaint should be looked at as a whole, and the six-month time limit shouldn't apply. They pointed out that they were faced with a global pandemic during their project, and that's what caused many of the delays to the build. They also had to deal with some very difficult personal circumstances which took a toll on their mental health and they lost track of the deadline to refer the complaint to us.

The complaint was referred to me to decide. I issued a decision setting out the scope of my jurisdiction in this complaint. I concluded that part of this complaint is time-barred, and that I can only consider the complaint about what happened after Danske issued its first final response letter on 23 July 2021.

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've now considered the part of the complaint I can look into, about Danske's treatment of Mr and Mrs O after 23 July 2021. By that time, the extensions to the loan term had ended and Danske had moved the loan to its Recoveries department. I've looked carefully at what both Mr and Mrs O and Danske have said and provided about what happened during the relevant period.

The work on Mr and Mrs O's new property wasn't finished until mid-2022, and Mr and Mrs O asked about refinancing the loan onto a standard mortgage. The loan had by that time been with Danske's Recoveries department for around a year, during which time Danske had accepted regular payments from Mr and Mrs O while they explored their options for repaying the loan in full.

Danske asked for building control certification, which Mr and Mrs O didn't provide until some six months later, in January 2023. I think Danske's request was a reasonable one, and appropriate certification for the new property is something I would expect a lender to want to see before agreeing to a mortgage in these circumstances.

Between February and May 2023, Mr and Mrs O and Danske had discussions about whether Danske would be prepared to lend them more money, so they could repay money they had borrowed elsewhere in order to finish the property. Danske's records show that it assessed whether Mr and Mrs O could afford such a new arrangement, by looking at their income and expenditure and also bearing in mind the payments they had been able to

maintain to the existing loan. It concluded, however, that adding between £70,000 and £100,000 to the proposed mortgage wouldn't be affordable.

I'm satisfied that Danske considered Mr and Mrs O's request fairly. It looked at their circumstances and concluded that they couldn't afford to consolidate the other debt onto the mortgage. That was a decision it was entitled to make.

In May 2023, Mr and Mrs O met with Danske to discuss refinancing the existing loan. Danske said it would discount some of the interest on the loan when it was settled, to acknowledge the time it had taken to review Mr and Mrs O's situation and look at arranging a standard mortgage. Mr and Mrs O then had to wait until August 2023 for an appointment with a mortgage consultant. They say they had expected Danske to contact them within a week, as agreed at the May meeting. They then contacted Danske several times to try to find out what was happening; they were very keen to resolve the matter and were finding it very stressful.

Danske accepts that its service fell short and that there were delays. Its records also show, however, that there were delays in Mr and Mrs O providing information. It asked them for the architect sign-off certificate in late March 2023, for example, but it doesn't appear to have received that until mid-May 2023.

Danske ultimately offered Mr and Mrs O a standard mortgage of £119,500 to refinance the loan in September 2023. The offer included a reduction of around £3,500 on the outstanding loan balance. Mr and Mrs O rejected that offer, and I understand they have since repaid the loan by other means. Danske has told us it accepted payment of £117,000 to settle the loan.

In all the circumstances, I don't find that I can fairly require Danske to compensate Mr and Mrs O any further. It has accepted some failings in communication and that it caused some delay, and it has made a fairly substantial reduction to the settlement payment for the loan in recognition of that. While I can see that Mr and Mrs O found the situation stressful and upsetting, Danske held off taking recovery action for a significant period of time to try to help Mr and Mrs O and give them time to explore their options.

Danske wasn't under an obligation either to lend Mr and Mrs O more money to cover other debt they had taken to finish their property, or to agree a mortgage to refinance the loan. It treated the loan as being in arrears from June 2021 onwards (I can consider July 2021 onwards here), and I don't think it was wrong to have done so given that the loan was overdue for payment. So I don't require Danske to amend Mr and Mrs O's credit files.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs O and Mr O to accept or reject my decision before 5 April 2024.

Janet Millington
Ombudsman