

## **The complaint**

Mr D complains about the lack of options he considers Landmark Mortgages Limited has made available to him now that his interest-only mortgage has passed the end of its term and he hasn't been able to repay the outstanding balance. He wants Landmark to extend the term on a capital and interest repayment basis and offer him a lower interest rate.

## **What happened**

Mr D and his now late wife took out their mortgage in 2005 with Northern Rock. They borrowed around £100,000 on an interest-only payment basis over a term of 15 years. They also borrowed £30,000 by way of an unsecured personal loan which was attached to the mortgage. They repaid the unsecured loan in 2012.

The mortgage was on a fixed interest rate until May 2010. Since then, it has been on a variable rate guaranteed to be below Northern Rock's standard variable rate (SVR).

The mortgage term ended in mid-2020. Mr D had been making overpayments over the previous few years and had made some inroads into the capital mortgage balance. But he couldn't afford to repay the mortgage in full.

Between 2020 and 2023, Mr D and Landmark had various discussions about extending the mortgage term, changing it to a capital and interest repayment basis, and adding Mr D's new partner to the mortgage. Mr D's situation was further complicated by the short lease remaining on his property (around 40 years), and he says he has been unable to re-mortgage elsewhere because of that and his age (he's in his 70s).

Landmark suspended debt recovery action a number of times while Mr D took independent advice and explored what options he had, and while his partner was between jobs and in probation periods.

In March 2023, Mr D complained to Landmark after receiving a letter about a field agent visit. He was unhappy about recent interest rate rises because they meant his mortgage balance wasn't reducing as quickly as he wanted, and he said Landmark's interest rate was out of line with the rest of the market. He also later complained that Landmark hadn't accepted his proposal to repay the mortgage over a new term of ten years at a reduced interest rate of 7%.

Landmark said it had done nothing wrong and it couldn't reduce the interest rate on Mr D's mortgage, but it wanted to work with him to try to find a solution. It also told him how he could pursue a complaint about the third-party broker who advised him to take the mortgage in 2005.

Mr D asked the Financial Ombudsman Service to look into his complaint. Our Investigator didn't recommend that the complaint should be upheld. She didn't find that Landmark had rejected Mr D's payment proposal – instead, he had changed his mind about adding his partner to the mortgage and then in June 2023 had said he wanted to think about his options again because a repayment mortgage over ten years would be too expensive. She also

concluded that the mortgage had operated in line with the terms of the agreement and Landmark hadn't charged an unfairly high rate of interest.

Mr D didn't accept that and asked for a review. He said he thought his mortgage was on a 'distressed' interest rate, which isn't fair when he has been overpaying. He said a lower rate would help him pay off the mortgage and 7% would be more in line with the wider mortgage market and in line with the Financial Conduct Authority's guidance to lenders about helping 'mortgage prisoners' like him. He also said that repossession of his property and making him homeless would be in no-one's interests.

### **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 recognise that Mr D is in a very difficult position and is keen to find an affordable way to pay off his mortgage. I can also see that he has been proactive in recent years and taken advice about his options, as well as making payments towards the capital mortgage balance when he can. I've thought carefully about whether Landmark should reasonably have done more to support him but, while I know Mr D will be disappointed, I don't think it should.

The term of Mr D's interest-only mortgage came to an end in 2020, and Landmark was entitled to expect full repayment of the mortgage balance. However, it should also have considered Mr D's proposals for repayment and whether there were any changes it could reasonably make to the mortgage to facilitate repayment.

Mr D and Landmark have discussed extending the mortgage term by ten years on a capital and interest repayment basis and adding Mr D's partner to the mortgage.

Landmark is a 'closed book' lender which doesn't offer new interest rate products to any customers. Mr D has said he thinks a repayment mortgage on rate of around 7% would be affordable for him over a term of ten years. But I can't reasonably require Landmark to offer Mr D a ten-year fixed rate which it doesn't have available to other borrowers – the Financial Ombudsman Service doesn't set rates. Interest rate reductions are a concession I would expect a lender to consider in some circumstances, but I wouldn't necessarily expect such a concession to be made available on a long-term basis – particularly where, as in Mr D's case, it's far from clear whether such an arrangement would be in his best interests for the next ten years.

This isn't out of line with anything in the Financial Conduct Authority's rules of mortgage regulation or in its guidance to mortgage lenders. There's nothing in those rules or guidance to say that Landmark must offer a borrower like Mr D a new or lower interest rate, even where a borrower has a mortgage with a closed book lender and is unable to move their mortgage elsewhere.

What I would expect Landmark to have done in Mr D's situation is to give him time to explore his options for repayment of his mortgage, give him details of where he can get free independent advice, and consider any proposals he made. I think it did all of that.

Landmark and Mr D have had a number of discussions about Mr D's circumstances and how the mortgage is to be repaid. Landmark suspended action to recover the mortgage balance several times while Mr D got advice and arranged valuations, and while his partner was between jobs and in probation periods. The cumulative effect of this has been that Mr D has had around four years since the term ended to decide what to do.

I can see from what Mr D has said and Landmark's records that there have at times been delays in arranging appointments with Landmark's advisers, but I don't think Mr D has been disadvantaged as a result. Landmark's records show that it hasn't yet completed a full assessment of Mr D's circumstances, but I don't think that this is because of difficulties in Mr D getting an appointment.

Landmark's records of its contact with Mr D over the last few years show the following appointments took place with its advisers:

- March 2020 – Mr D would look into adding his partner to the mortgage.
- August 2020 – Landmark said the short remaining lease on the property may affect the property's value, and it needed to know the current value before assessing Mr D's situation any further. Mr D would arrange a valuation and consider whether to sell the property or if not book a new appointment to look at his options for the mortgage.
- February 2022 – Landmark assessed extending the mortgage term on a repayment basis and adding Mr D's partner to the mortgage and referred Mr D's case to its underwriters.
- March 2022 – the underwriters wanted pension information, which Mr D was to obtain. Mr D's partner was then made redundant.
- July 2022 – Mr D's partner was in a probation period in her new job. Landmark would wait to see whether the job would become permanent before reassessing affordability.
- September 2022 – Landmark's underwriters wanted six months to pass before Mr D reapplied to make changes to the mortgage, and a grace period was already in place until January 2023.
- June 2023 – Landmark assessed adding Mr D's partner to the mortgage and extending the term on a repayment basis. Mr D would think about his options and discuss the matter with his financial adviser, because the mortgage would be too expensive over ten years and he didn't want to extend it any longer. He would then get back in touch to make a new appointment.

Between these appointments, there were various periods of up to ten months at a time when Landmark agreed to take no further action to recover the mortgage debt. And in February 2023 Mr D said he no longer wanted to add his partner to the mortgage, but the following month he said he did want to go ahead with adding her – but she had started another new job and was in another probation period. In September 2023 Mr D said he was going to sell the property and had chosen an estate agent to market it.

Against this background, I can't reasonably conclude that Landmark has treated Mr D unfairly. It has considered his proposals and given him time to take independent advice. It has also said that it will continue working with him to see if a solution can be found. In the circumstances, I think it's now for Mr D and Landmark to discuss what options may now be open to him and, if Mr D is now selling the property, to keep Landmark updated on his progress.

It wouldn't however be fair or reasonable for me to require Landmark to make changes to Mr D's mortgage without Landmark first assessing Mr D's situation to see whether there are changes that can be made to his mortgage that are affordable for him and in his best interests. I encourage Mr D to keep in touch with Landmark and I remind Landmark of its

duty to treat him fairly. Repossession is a last resort, but Landmark may decide to take possession action if no agreement can be reached.

I've also considered what Mr D has said about the mortgage interest rate having been too high in recent years. Mr D's mortgage interest rate changed to Northern Rock's SVR less a discount in May 2010, as set out in the mortgage terms. Nothing in the mortgage offer or the terms and conditions – or in mortgage regulation – says that Northern Rock, or its successors, had to offer Mr D a new rate once the fixed rate had finished.

Landmark doesn't offer new interest rates to any of its customers, and there's no obligation on it to do so. I'm satisfied that this isn't a breach of any rules or regulations. Landmark shouldn't put barriers, such as early repayment charges, in the way of Mr D repaying his mortgage – but it hasn't done that. No early repayment charges have applied to the mortgage since 2010.

The mortgage conditions say the SVR can go up or down and set out the reasons for which it could be varied. Those reasons are set out in broad terms, and I've looked carefully at the SVR and discount SVR applied to Mr D's mortgage. I've also considered the information Landmark and its predecessors have provided to us about the reasons the SVR varied and the mortgage conditions, alongside external reference rates such as Bank of England base rate, and wider economic conditions and relevant law.

Having done so, I don't consider that Landmark has treated Mr D unfairly in the way it set the interest rate on his mortgage in the last few years, or that it has varied the rate in a way that it wasn't entitled to under the mortgage terms. There's nothing in the mortgage offer or conditions to say that the SVR had to track the Bank of England base rate or a particular reference rate. While Landmark's SVR (and Mr D's discounted rate) was higher than the introductory rates offered by other lenders, it was comparable to the SVRs and reversionary rates offered by other similar lenders in the residential mortgage market. The interest rate applied to Mr D's mortgage isn't a 'distressed rate' as Mr D has argued; it's the rate that his mortgage contract said would apply and is based on the SVR which any other borrower on Landmark's SVR would also pay.

In conclusion, I've considered everything Mr D has told us about his situation and the difficulties he's facing now that his mortgage interest rate has risen further, and I recognise that his particular circumstances, including the short lease on his property, make refinancing problematic. But I can't reasonably tell Landmark to agree to an extended mortgage term without an assessment of what the cost of that would be and what would be affordable to Mr D (and his partner if she is to be added to the mortgage). Landmark has said it will discuss Mr D's circumstances with him again to see what options might be available – and I encourage Mr D to do that. In all the circumstances of this complaint, however, I don't find that Landmark has treated him unfairly, so I don't uphold this complaint.

### **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 Mr D to accept or reject my decision before 6 August 2024.

Janet Millington  
**Ombudsman**