

The complaint

Mr H complains that his mortgage lender, TSB Bank plc, failed to show support and forbearance at a difficult time.

What happened

Mr H has a mortgage with TSB. Sadly, in 2023, he suffered a family bereavement. Not only was this a difficult time emotionally, but Mr H also had to manage unexpected expenditure such as funeral expenses. Around the same time, his mortgage interest rate was coming to an end and on a new rate his monthly payments would increase.

Mr H got in touch with TSB and asked for a payment holiday on his mortgage. TSB refused to offer a payment holiday, but did offer a switch to interest only for six months, as set out in the government's mortgage charter to which TSB is a signatory.

Mr H says that another TSB adviser called him to suggest that a payment holiday could be offered after all – but then failed to get back to him with a decision.

Mr H reluctantly accepted the switch to interest only, but pointed out that it didn't offer him much help, because it didn't substantially reduce his payments – although he was no longer paying any capital, he was now paying a higher interest rate which offset the reduction.

Mr H complained. He said TSB hadn't taken his particular situation into account or offered him any support relevant to his circumstances. As a result, he hadn't been able to keep up with the payments even following the switch to interest only and is now in arrears. He wants TSB to retrospectively offer him a payment holiday for six months, backdated to when he first asked, and to refund the payments he's made in the meantime.

TSB said that it had already given Mr H payment holidays and couldn't agree to a further one. It said that it had put alternative support in place, including switching to interest only for six months. It offered £50 compensation for a delay in responding to Mr H's complaint.

Our investigator didn't recommend upholding the complaint, so Mr H asked for it to be reviewed by an ombudsman. He didn't think TSB had acted fairly or supportively. He said that TSB could have extended his previous interest rate while he was on interest only. And he said that TSB hadn't given him the information required by the regulator.

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'm very sorry to hear of Mr H's bereavement and the impact that's had on him, and I hope he'll accept my condolences on his loss.

I've looked at the history of Mr H's mortgage. It was taken out in 2021, and Mr H borrowed around £209,000 over 30 years on repayment terms. He took a fixed rate of 1.89%, expiring on 31 August 2023, which would be followed by a tracker rate 2.49% above Bank of England

base rate. This meant that during the fixed rate Mr H's monthly payment was £759.84.

The mortgage offer said:

“Payment holidays may be available but are subject to rules that may be changed from time to time. If you apply, checks that you meet the rules in force at that time will be made. Payment holidays are not guaranteed. The current rules can be found in the “Information about your mortgage” booklet which is issued with mortgage offers but you should ask for details about the latest rules when you make your request.”

The latest version of the “Information about your mortgage” booklet said, in the section about payment holidays, that the rules were:

- “The mortgage must have been in place for at least 12 months.
- The account must not have been in arrears in the last 12 months.
- There is no limit to the number of payment holidays allowed throughout the mortgage term but you can only take three months at any one time.
- You cannot apply for additional payment holidays within two years of taking your last payment holiday.
- Payment holidays are not available on buy-to-let mortgages and shared ownership mortgages.
- You cannot apply for additional borrowing during a payment holiday.
- You cannot apply for a payment holiday within six months of taking out additional borrowing.
- You cannot apply for a payment holiday if your mortgage term has ended.”

In November 2022, Mr H called TSB to ask for a three month payment holiday. He said that this was because he was struggling with other commitments and needed to pay off his credit cards. TSB granted Mr H a payment holiday, running to February 2023. As a result, his monthly payment increased to £768.47 from March 2023.

In April 2023, Mr H called TSB again. He said that his boiler had broken down and he said it would cost around £2,000 to replace. TSB granted a further payment holiday, again for three months. His monthly payment would increase to £777.36 from August as a result.

In June 2023, Mr H selected a new interest rate online, ready to start at the end of the old rate on 31 August. There were some issues about the rate being implemented, but following a telephone appointment a new fixed rate of 4.59% was agreed to start on 1 September. The monthly payment would be £1,077.23.

On 22 June 2023, Mr H called asking what support TSB could give him because he was worried about the increase in payments from September. TSB checked his income and expenditure and said the new payments looked to be affordable, but that Mr H could call again following the end of his payment holiday if he did experience difficulties.

On 10 July 2023, Mr H called again. He said that he'd experienced a recent bereavement. He had had to pay funeral costs of over £5,000 and had been signed off work – he would be on full pay for six weeks, but then on statutory sick pay for a further six weeks. He asked

about a further payment holiday. TSB said that Mr H wasn't eligible for a further payment holiday. It said that the mortgage charter provisions were due to be implemented on 17 July, and Mr H might want to apply for that then. On 17 July, TSB agreed to a temporary switch to interest only for six months. This meant that his monthly payments for August would be £318.73, and from September would be £777.37 rather than £1,077.23.

On 21 August, Mr H called TSB. He said that he might be late making the next few monthly payments due to having to settle the funeral bills. TSB offered to change the direct debit due date and took a manual part-payment.

In September Mr H made a further part-payment, and said he would resume making full payments, and start reducing the arrears, from October when he returned to work.

In January 2024, Mr H asked for an extension of the period on interest only, but TSB refused. In February Mr H cancelled his direct debit and made a manual payment – but only of the amount he'd previously been paying when the mortgage was on interest only temporarily – paying £800, though the monthly payment was now £1,092.54.

At the time of Mr H's request for a further payment holiday following his bereavement, he had already had two payment holidays totalling six months within the last year. As the payment holiday criteria I've quoted above say, a borrower can generally only take one payment holiday every two years, and can only take a maximum of three months at a time.

That means that TSB had already gone beyond its policy in granting Mr H the second payment holiday because of the problem with his boiler. Granting Mr H a third payment holiday in the space of a year would go further.

Nevertheless, TSB is not just required to act in line with its policy – it's also required to act fairly. Each time Mr H took a payment holiday his payments increased, because he had less time to repay the same overall amount. If another payment holiday was granted, that would coincide with his payments increasing anyway as his interest rate changed, at a time when Mr H said that his income was reduced because of a period of absence from work. So while a further payment holiday might have helped in the short term, there was a real risk it would make things worse in the longer term.

By suggesting a switch to interest only instead, I think TSB did offer appropriate support. Mr H wasn't eligible for a further payment holiday and, as I've said, there was a risk it would make things worse for him anyway. But he was entitled to a temporary switch to interest only under the mortgage charter instead. And this had the effect of reducing his payments. Mr H points out that they didn't reduce in practice, because the amount he had to pay on interest only on his new interest rate was about the same as the amount on repayment terms on the old rate. And that's true. But it was lower than his payments would have been without the switch, because that interest rate had come to an end and couldn't be continued. So this did give Mr H substantial breathing space compared to what would have happened to his payments without it.

I don't agree that TSB was in breach of the regulator's rules in not giving him an illustration in prescribed terms. The regulator dis-applied that rule because of the speed with which the mortgage charter was implemented, and TSB sent him several letters which made clear exactly what was happening.

Once the six month interest only switch came to an end, I don't think it was unreasonable that TSB didn't extend it further. The charter only requires six months. And while an extension would have reduced Mr H's payments in the short term, it would have increased them in the long term – which wasn't affordable for him. TSB did offer to consider payment

arrangements, but Mr H didn't want to consider that. In any case, an extension on interest only wouldn't have achieved what Mr H wanted – because once the six months on the charter came to an end any further interest only period would be a payment arrangement not a contract variation. As such, it would show on his credit file as an arrangement.

As I say, I'm very sorry to hear of everything Mr H has been through. And I understand that, at that time, the pressure of his mortgage payments would have made things worse for Mr H. I'd expect TSB to treat him fairly and show forbearance in such a situation, and I'm satisfied it did that. It allowed him six months of payment holiday followed by six months on interest only, and was willing to discuss further payment arrangements beyond that. But it wasn't unfair that it wouldn't agree to further payment holidays or further periods on interest only, because Mr H wasn't entitled to either of those and there was a risk they would make his situation worse in the long term. I don't therefore 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 H to accept or reject my decision before 29 July 2024.

Simon Pugh
Ombudsman