DRN-4844064

The complaint

Mr C complains that Bank of Scotland plc trading as Halifax will not allow him to transfer to a less expensive interest rate product.

What happened

Mr C has a residential mortgage with Halifax which currently has an outstanding balance of approximately £57,000.

Mr C says he had to move out of the property in 2015 – originally with the intention to move back in at some point. But instead, he let the property and gained consent to let from Halifax.

Sometime shortly after that, Mr C's fixed rate deal came to an end and his mortgage reverted to Halifax's standard variable rate. Halifax's consent to let is reviewable annually, so Halifax wrote to Mr C every year since to confirm its continued consent. From April 2023, Halifax started to charge an additional 0.5% for mortgages with consent to let. It wrote to Mr C in December 2022 to tell him that.

Mr C says he is currently stuck on a rate of 8.74% and wants to reduce this. But he's been unable to remortgage to a buy-to-let product with another lender – he says that's because his property value has reduced – and Halifax refuses to move him to one of its own buy-to-let products. So, he complained to Halifax.

In its final response letter dated 1 March 2024, Halifax confirmed that it didn't uphold Mr C's complaint. It pointed to a statement on its consent to let renewal application Mr C will have made when he wanted to extend Halifax's consent to let. That said:

> *"My/our mortgage will remain on the current mortgage product or lender variable rate for the letting period. If the current mortgage product expires within the letting period my/our mortgage will revert to the lender variable rate. Whilst the property is let I/we will not be able to transfer onto any other mortgage products. If I/we reoccupy the property I/we will provide reasonable evidence of reoccupation to you after which I/we will be able to transfer to a new product available to existing mortgage customers."*

Halifax's letter went on to explain the reasons it started to charge an additional 0.5% for consent to let mortgages, including the additional risks associated with let properties. And that its decision to do so brought it in line with other mortgage lenders. Halifax acknowledged that Mr C had found it difficult to remortgage to another lender. But it recommended he take independent financial advice and directed him to sources of information relating to his circumstances.

Dissatisfied with Halifax's response, Mr C asked us to look into his complaint. Our investigator didn't think Halifax had done anything wrong. She said she didn't think it was unreasonable for Halifax not to allow Mr C to transfer to another residential mortgage rate because the conditions for its consent to let don't allow that. And that, Halifax has said that it hasn't received a buy-to-let application from Mr C. Our investigator also said she doesn't think it’s unfair for Halifax to charge an additional 0.5% for consent to let and isn’t responsible for other borrowers declining applications to remortgage.

Mr C didn’t agree. He said he’s now approached Halifax about a buy-to-let mortgage, but it didn’t offer him one, saying it has no products available. And he has asked for his complaint to be decided by an ombudsman, so his complaint has been passed to me for a 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.

To decide this complaint, I’ve thought about whether Halifax has unfairly declined Mr C’s requests for it to transfer his mortgage to and alternative interest rate product.

Firstly, I’d like to acknowledge that I understand why Mr C wants to move away from the interest arrangement he currently has with Halifax. I understand that he may want more control over what happens to the rate – for example fixing it for a period of time – and he’d like to pay less than he is paying on Halifax’s standard variable rate, plus 0.5% for its consent to let.

However, Mr C took a mortgage with Halifax on the understanding that he would live in the security property – a residential mortgage. Halifax’s consent for Mr C to let the property is therefore a concession to the original agreement. And I think it’s reasonable that any such concession has conditions. I say that because a concession of that nature does come with additional risk to Halifax.

Halifax’s residential mortgages are priced on the understanding that the borrower will reside in the security property. Usually that would mean the borrower would be present to notice anything that goes wrong with the property that might affect its value. And, as a tenant, generally, would be less invested in the value of the property, there is a greater risk that the property may fall into disrepair.

Given that the risk to the upkeep – and therefore value – of the property is greater when a property is let, I think it’s reasonable that Halifax restricts the interest rate deals it makes available on let properties. The condition outlined above explains that Mr C would have no access to other interest rate products while the property is let. Mr C accepted that condition when he let the property. So, I don’t think Halifax have done anything it didn’t make Mr C aware of when Mr C let the property.

Halifax did subsequently add 0.5% to its standard variable rate for borrowers letting their property with consent. I accept that Mr C wouldn’t have known that at the time he agreed to the consent to let conditions. But consent to let is generally considered to be a temporary arrangement – and Halifax reviews the arrangement every year accordingly. Halifax gave Mr C several months’ notice of its intention to add 0.5% to the rate it was charging him, so he had time to make other arrangements before it made the additional charge. I know that many other lenders charge an additional amount for consent to let, so I haven’t seen that Halifax’s decision here is unusual or goes against what would be considered common industry practice. So, I don’t think Halifax’s decision to charge additional interest was unreasonable and I think it gave Mr C fair notice.

I understand that Mr C has attempted to change to a buy-to-let mortgage – both with Halifax and with other lenders. And I understand that it’s particularly frustrating for Mr C if his property has gone down in value and that’s what’s led to his failure to remortgage. But Halifax isn’t responsible for the falling value of Mr C’s property – valuations for mortgage purposes are usually caried out by chartered surveyors, independently of lenders. And Halifax isn’t required to waive its own lending conditions because of falling property values, be they local or national.

Halifax has confirmed to me that it doesn’t offer consumer buy-to-let products – those Mr C would qualify for as a borrower who originally bought the property as his own residence and has no other let properties. And it only accepts ‘standard’ buy-to-let applications via an intermediary. With regard to consumer buy-to-let products, it’s clear to me that Halifax can’t give Mr C a product it doesn’t offer, so I think that’s reasonable. With regard to ‘standard’ buy-to-let products – those aimed at property investors – I think it’s reasonable that Halifax has opted to insist that consumers take independent financial advice. I think that’s particularly relevant in Mr C’s case because, to my knowledge, he qualifies for a consumer buy-to-let product, meaning he may get less favourable terms by taking a ‘standard’ buy-to-let product.

I accept that any loss Mr C might incur by taking a ‘standard’ buy-to-let mortgage over a consumer buy-to-let mortgage is academic, if his property isn’t of sufficient value to remortgage. But, again, that doesn’t mean I think Halifax ought to change its lending policy and I think its requirement for consumers to get independent financial advice is reasonable.

Overall, like our investigator, I don’t think Halifax has acted unreasonably here, so I don’t uphold Mr C’s complaint.

My final decision

My final decision is I don’t uphold Mr C’s complaint about Bank of Scotland plc trading as Halifax.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr C to accept or reject my decision before 26 July 2024.

Gavin Cook
Ombudsman