

The complaint

Mr K complains that he was not told when his mortgage was transferred to Topaz Finance Limited trading as Heliodor Mortgages, who are an inactive lender. He also complains that it is charging an interest rate that is unfairly high and will not offer him a better interest rate and should do more to help him.

What happened

In 2006, Mr K took out a mortgage with Northern Rock over a term of 25 years. The Mortgage had a fixed rate until December 2008, followed by a standard variable rate (SVR) for five years and four months. After that a variable loyalty discount rate – the SVR with a discount of at least 0.25% - would apply, provided payments were up to date.

In November 2019, Mr K's mortgage was transferred to Heliodor.

Mr K complained to Heliodor:

- He wasn't told that he was being transferred from an active to an inactive lender until after it had happened.
- He is unable to switch to a cheaper interest rate product.
- The interest rate is unfairly high and he is struggling to meet the payments.
- Heliodor has not offered him help or used government backed assistance programs.

I issued a jurisdiction decision setting out which parts of the complaint we can consider. I said we can't consider the complaint about the sale of the mortgage and we can only consider the complaint about the interest rate charged since 20 August 2017. But we can consider the complaints about the transfer of his mortgage to Heliodor, the availability of cheaper interest rates and the assistance offered by Heliodor.

The investigator did not think we could uphold any parts of the complaint we could look at. Mr K did not accept what the investigator said. He responded to make a number of points, including:

- It was unreasonable to expect an average consumer to read all of the small print, including that the lender was not obliged to tell him if his mortgage was transferred to a closed book lender.
- Such important terms and conditions should not be buried in the small print but should be prominently highlighted so that consumers are aware of significant terms.
- At no point was he told that his mortgage could be transferred to a closed book lender – there were no warnings given about that.
- He only became aware Heliodor was a closed book lender in 2022.

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 was sorry to hear about the impact of this matter on Mr K. I understand how difficult it is for him to be stuck on SVR – especially when interest rates have gone up. But after looking at everything, I agree with the outcome reached by the investigator.

Transfer to Heliodor

I've already issued a decision setting out that we are unable to consider a complaint about how the mortgage was sold. That includes whether Mr K was given enough information about the ability for his mortgage to be transferred to another lender who did not offer new interest rates.

I can only consider whether the mortgage was transferred fairly to Heliodor in 2019. As the investigator set out, the terms and conditions of the mortgage allow the mortgage to be transferred in the way it was. I don't consider that was unreasonable.

I don't see that it would have made any real difference if it had been explained to Mr K that his mortgage was being transferred to another closed book lender. I say that because we have evidence that Mr K spoke to the previous lender, Northern Rock (Asset Management) (NRAM), in 2019. It said it couldn't offer a new interest rate. Mr K said he would look at remortgaging to another lender. It follows, that he either did that and was unsuccessful or that he did not explore what other lenders could offer.

The evidence supports that even if Mr K was not aware that Heliodor was a closed book lender, it seems unlikely there was anything else he could have done had that been made clearer. In any event, it does not change that the mortgage was permitted to be transferred to a new lender under the terms of the mortgage.

Interest rate

When Mr K took out the mortgage he agreed to a fixed rate for two years, followed by the SVR and then the loyalty rate. As far as I can see, Heliodor has operated the mortgage in line with the offer that Mr K accepted. The mortgage offer – or indeed any other documents I have seen – set out that the lender would offer a new interest rate product after the initial fixed rate. So I can't see there was any contractual obligation to offer Mr K a new interest rate product.

The original lender, Northern Rock, was nationalised following the financial crisis of 2007/8. NRAM took responsibility for the mortgage. But it couldn't offer new interest rate products to any borrowers. Heliodor took over the mortgage in 2019.

For the period I can look at, since 2017, the SVR has been varied in line with the terms and conditions of the mortgage for the reasons set out in the terms. I don't consider the terms are unfair and there is no evidence they have been applied unfairly. Looking at the circumstances of the changes – taking into account the lender's circumstances, the quality of the loan book and the wider financial environment, particularly in regard to the lender's funding costs and balanced against the impact any changes would have on borrowers – I consider they were made fairly and reasonably.

Assistance

Heliodor does not offer new interest rate products to any of its customers. And as I explained above, it is acting in line with the offer that Mr K agreed – there was no obligation for it to offer him new rates. So I don't consider it is treating him unfairly by not doing so.

The schemes Mr K has referred to do not oblige closed book lenders to offer new interest rate products.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 18 December 2024.

Ken Rose
Ombudsman