

## complaint

Mr and Mrs B complain that Nationwide Building Society mis-sold them an interest-only mortgage. To resolve this complaint they'd like Nationwide to cancel the court proceedings for repossession of their home and clear the mortgage shortfall owed.

## background

In early 2008 Mr B went into a Nationwide branch and asked for a 'baby break' so he and his wife wouldn't have to pay as much on their mortgage when Mrs B was having a baby.

Nationwide told Mr B about the option of moving their mortgage onto an interest-only basis. This would mean Mr and Mrs B only had to make monthly repayments covering the interest they owed – they wouldn't have to pay back any of the capital borrowed until the end of the mortgage term. This would reduce the monthly repayments.

But Mr and Mrs B felt they'd been wrongly *advised* to move to an interest-only mortgage – and they hadn't been made aware that they'd need a lump sum to clear the balance owing at the end of the mortgage term in May 2015. Unfortunately, they weren't able to do that and court proceedings are ongoing. Nationwide is seeking possession of the property so it can sell this to pay the mortgage.

When our adjudicator looked into the circumstances that led to Mr and Mrs B moving from a repayment mortgage to an interest-only mortgage, she didn't recommend upholding the complaint. She said:

- After making enquiries at the branch, Mr and Mrs B wrote a letter asking for the mortgage to be changed onto interest-only which they both signed.
- Nationwide made the change and sent a letter to Mr and Mrs B confirming this. The letter included the following information in bold type:

**“You will still owe £33865.52 at the end of the mortgage term. You will need to make separate arrangements to repay this. When comparing the new payments on this mortgage with your previous payments, remember to add any money you may need to pay into a separate savings plan to build up a lump sum to repay the amount you have borrowed.”**

- Despite what Mr and Mrs B say, there's not enough information to be able to fairly say this was an advised sale. So Nationwide didn't have to check if an interest-only mortgage was suitable for them. It only needed to give them clear information so they could decide for themselves if that was something they wanted. It wasn't required to conduct any additional affordability checks or check to see how they'd repay the balance.
- Taking into consideration the regulatory requirements at the time, our adjudicator didn't feel Nationwide did anything wrong by providing the interest-only mortgage.
- Nationwide had provided lots of information since about the implications of being on an interest-only mortgage. This was clearly set out in letters and statements Nationwide sent Mr and Mrs B. So our adjudicator couldn't fairly say Nationwide should reasonably have done anything more to make clear to Mr and Mrs B that they

were on an interest-only arrangement and they'd have to find money to clear the mortgage in May 2015.

- Nationwide wasn't being unreasonable in taking legal action when Mr and Mrs B weren't able to pay their mortgage. That's because it had asked Mr and Mrs B on a number of occasions for income and expenditure information but didn't get it. So this was a reasonable option it was entitled to take.

Our adjudicator said she'd contact Nationwide to see if it could extend the mortgage rather than continuing with court action – this would depend on whether that looked an affordable option for Mr and Mrs B. But she didn't recommend upholding the complaint.

Mr and Mrs B disagree with our adjudicator's view – they feel strongly that they acted on Nationwide's advice when they moved to an interest-only mortgage. And they're unhappy that they've only now seen documents they've asked Nationwide for previously. They say they weren't sent these and some letters seem to have had dates altered by hand – and wrongly portray their financial situation.

So the complaint has been referred to me.

### **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I do sympathise with Mr and Mrs B in this situation. But I can only uphold this complaint if I find Nationwide has acted unfairly or unreasonably. And although Mr and Mrs B have raised a number of points in response to the adjudicator's assessment, these don't affect the outcome.

Correspondence from Nationwide appears to have been correctly addressed so I can't fairly hold Nationwide responsible if Mr and Mrs B didn't see the letters it sent them previously. And it looks to me as if the handwritten changes show the dates those letters were sent originally – the printed date looks like the date they were printed off the system. It's not unusual for a lender's system to auto-update to the date of printing.

I agree with the adjudicator for the same reasons.

### **my final decision**

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs B to accept or reject my decision before 14 July 2016.

Susan Webb  
**ombudsman**