

The complaint

Ms P's complaint is about the administration of her mortgage with Pepper (UK) Limited trading as Engage Credit. She is unhappy with how much Pepper expected her to pay to the mortgage and arrears from March 2020, as it is more than the court set out she had to pay. She has also questioned whether the amount in excess of the contractual monthly payment (CMP) is being used to reduce the arrears balance, as it doesn't appear to be reducing and she wants a full audit of the account conducted.

What happened

In 2016 Pepper applied to the courts for possession of Ms P's property due to arrears. The court issued a suspended possession order stating, from 1 July 2016, Ms P needed to pay the CMP each month plus an additional £90. At that time the CMP was just over £670.

Ms P started making payments under the arrangement each month from July 2016, although there were some months the amount was slightly short, there were also others where it was more than necessary. The payment date on the mortgage was the 11th day of the month. In October 2019 Mrs P didn't make a payment toward the mortgage, although a benefits payment of £140 was received. The February 2020 payment was also significantly lower than the court order required, even when a benefit payment was taken into account. As such, Pepper contacted Ms P about the situation and a discussion took place on 10 March 2020 about what had happened and how to move forward. At that time the CMP was just over £680.

In the early part of the call of 10 March 2020 it was explained to Ms P that Pepper had written to her because of the missed and short payments. Ms P asked that Pepper speak to her son. Pepper explained how the payment arrangement worked and when payments were expected to be made, based on the payment due date of the 11th of the month. Mr P's son disagreed with what he was being told, and Pepper moved the conversation on to discuss a way forward. At this time the CMP was just over £680. Pepper said that it needed to input what Ms P would be paying for March and going forward. Ms P's son immediately said "*£750 per month.*"

There was then a conversation about the due date and whether it would help if it was moved from the 11th and Ms P's son asked that it be moved to the last working day of the month. It was clarified that if that was the case, Ms P would have to make sure that she'd made the payment before that date. It was confirmed that this was understood, and reassurances were made that the payments would be made on time. Ms P was then spoken to again and Pepper confirmed with her that she was happy to have the payment date changed and explained that her son had said she would be paying £750 each month going forward. Ms P confirmed she was happy with the payment date and the proposed payment. Unfortunately, while Ms P made a payment of £750 in May 2020, it wasn't made until after the last working day of the month and triggered Pepper to want to speak to Ms P again. It tried on two occasions, but didn't receive a response.

On 26 June 2020 Pepper sent Ms P a letter about the arrears on her account. It said that it had attempted to contact her and had been unsuccessful. As such, it asked her to

immediately clear the arrears and fees balances of approximately £26,000. It then set out that if Ms P failed to make a payment equal to or greater than the contractual monthly instalment, she might be charged an arrears fee. Ms P complained.

Pepper responded to the complaint on 31 July 2020. It concluded that it shouldn't have sent its letter of 26 June 2020 as quickly as it did, and should have made more attempts to contact Ms P informally before it was sent. It offered her £50 compensation for the distress and inconvenience this had caused her. However, it was satisfied that Ms P's son had proposed she personally pay £750 each month, and Ms P had confirmed that she would, in a telephone call on 10 March 2020. As such, Pepper didn't think it had done anything wrong in expecting her to do so.

Ms P wasn't satisfied with the response she received and referred her complaint to this service.

One of our investigators considered the complaint, and recommended that it be upheld in part. He didn't consider the amount of compensation Pepper had offered for the mistake in sending the arrears demand as early as it did, was enough, and thought it should be increased to a total of £150. However, the investigator confirmed that the payment arrangement set by the courts had been broken by Ms P, so Pepper was entitled to make alternative arrangements. She had committed to paying £750 in addition to any benefits payment made, and Pepper was entitled to expect her to fulfil that agreement. In addition, the investigator explained how the arrears balance was calculated each month and that he was satisfied that the payments Ms P had made were being correctly allocated.

Ms P didn't accept the investigator's conclusions. She repeated her recollections of the conversation with Pepper in March 2020, disagreeing with the account the investigator had detailed. She said she was sure that at no point was it agreed that a payment of £750 would be made every month. Ms P said that her complaint had not been that the arrears balance wasn't reflecting the payments made, but rather that the fees balance was wrong and constantly increasing. She also asked that the interest being charged on the account be looked into, as it was inconsistent, and so a full audit was necessary. In addition, Ms P queried the application of the payments and CMP to the account and how the balance was affected. Ms P questioned the charges that had been applied to the account, despite the payment arrangement being met. In relation to the proposed compensation amount she said it was paltry and disrespectful, and didn't take into consideration the stress she had suffered and the effect the issues had had on her existing medical situation.

Our investigator provided Ms P with a copy of the telephone recording of the conversation of 10 March 2020. As for the new complaint points Ms P had raised about the fees balance, monthly charges and interest charged, he explained as these were new complaint points she hadn't made Pepper aware of, so she would need to do that before we could become involved. We also explained that it was not our role to complete an audit of a mortgage account and if Ms P thought this needed to be done, she would need to arrange for it herself.

The investigator again explained how the arrears balance was calculated and gave an example of how the expected payments, fees and incoming money affected it. As for the compensation amount, the investigator wasn't persuaded to change his recommendation.

Pepper accepted the investigator's recommendation.

Ms P remained unhappy with the investigator's conclusions. Having listened to the call recording the investigator had provided, she acknowledged that a verbal agreement had been made for her to pay £750 each month, but said this had been imposed by Pepper. She said that it was not explained, and Pepper didn't say that the initial suggestion made by her

son of £600 to £750, had been rejected. Ms P said that although the £750 was agreed in the conversation, she was under the impression that it would not supersede the arrangement that had been set out in the suspended possession order.

As for the new complaint issues regarding the fees, charges and interest, Ms P said that they were clearly mentioned in her first and second letters to this service because she had asked for a full audit of the account. By asking for a full audit, she considered she had asked for every area relating to the mortgage account to be looked into. Ms P said she was still not satisfied with the paltry sum of compensation, given the stress and trauma she had suffered.

The investigator again explained to Ms P that we don't provide an audit service. As nothing Ms P had said caused him to change his conclusions, it was decided that the complaint should be passed to an ombudsman.

Ms P confirmed that as we didn't provide an audit service, she would contact Pepper for a response to her concerns about the fees balance. She confirmed that she wanted the complaint to be referred to an ombudsman.

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 would firstly confirm that we don't provide an audit service and so if Ms P wants an audit completed on her account, she would need to arrange for it to be done elsewhere by a suitably qualified professional. In addition, our rules require that a financial business be made aware of a complaint, and have to opportunity to respond to it, before it falls within our jurisdiction. Ms P has said that she will refer her additional complaint points to Pepper for response, so I won't be commenting on them in this decision.

Ms P's second complaint point was that she was uncertain that the money she is paying has been allocated to the arrears balance. I have reviewed the information available to me and I am satisfied that Pepper has been deducting the additional payments she has made, over and above the CMP, from the arrears balance. I would refer her back to our investigator's explanation of how this works and the examples provided from her account.

In relation to the amount Pepper has expected Ms P to pay since March 2020, I don't consider that it has done anything wrong in this regard. While the court set a payment arrangement for Ms P of £90 over the CMP, this would only be binding on the parties if Ms P made that payment each and every month from July 2016. Ms P didn't do that and so the arrangement was broken, which means that it was no longer a valid agreement.

In the circumstance where Ms P broke the agreement, Pepper was allowed to assess the mortgage account and decided what the appropriate action going forward should be. Depending on how the account had been conducted, this could have been anything from asking her to enter into a new payment arrangement to moving forward with the possession process. In this case Pepper spoke to Ms P and agreed a new payment arrangement with her, which was for her to personally pay £750 to the account each month.

I have listened to the telephone call in which this arrangement was agreed, taking into account everything Ms P has said about the situation and the conversation itself. While Ms P has said there was mention of a variable amount being paid, between £600 and £750, that isn't the case. Ms P's son was asked what would be paid in March and going forward and he said £750. Ms P subsequently agreed that figure with no mention of the amount being variable, or any other figure. I don't think Pepper acted inappropriately during the

conversation or that the agreement reached was unclear. As such, I can't find Pepper was unreasonable in expecting Ms P to make the payment she'd agreed to each month.

That said, Pepper has accepted that it should have made more than two attempts to contact Ms P before it sent its letter of 26 June 2020. Pepper has agreed to pay Ms P £150 for the upset this letter caused her. I think that is an appropriate amount in the circumstances. I have noted that Ms P doesn't think that it is enough, but I would highlight that the compensation is solely for the additional upset the letter of 26 June 2020 caused her. It is clear that Ms P was understandable upset by the arrears situation as a whole. However, as I haven't found that Pepper has done anything wrong in relation to its general handling of that situation, I can't find it responsible for that upset and make an award for it.

My final decision

My final decision is that I uphold this complaint in part. In full and final settlement of Ms P's complaint, I require Pepper (UK) Limited trading as Engage Credit, to pay her £150 (including the £50 it initially offered).

Under the rules of the Financial Ombudsman Service, I am required to ask Ms P to accept or reject my decision before 10 October 2022.

Derry Baxter
Ombudsman