

The complaint

Mr S is unhappy that Target Servicing Limited has made an error in relation to the collection of a monthly fee but is continuing to hold him liable for the amounts it failed to collect.

What happened

In 2017, Mr S used a help-to-buy scheme to assist with the purchase of a property. Target is responsible for administering the help-to-buy lending.

In April 2021 Target wrote to Mr S saying that, due to its error, a direct debit for a monthly £1 management fee due under the loan agreement had not been collected since the loan started. The letter asked Mr S to get in touch to set up a direct debit and discuss how he would pay the £41 of outstanding fees.

Mr S contacted Target and set up a direct debit to cover future fees. But while Mr S accepted he was responsible for the fee moving forward, he was unhappy at being asked to pay the fees that had previously been missed as this had only come about due to Target's error. So, he felt it should write off the earlier fees.

Target again acknowledged that it had made a mistake and apologised. But it said the management fee formed part of Mr S' loan agreement so it felt these were still due and declined to write them off.

I issued a provisional decision earlier this month explaining that I intended to uphold Mr S' complaint. Below are extracts from my provisional findings, explaining why I thought this.

I've reviewed the agreement that Mr S made when taking out the loan. And this does confirm that a monthly management fee of £1 was payable from the outset.

I'm also satisfied though that the reason that this was not collected for over three years was due to an error by Target. I also don't think there was anything that should've alerted Mr S to there being a problem sooner. I think it was reasonable for him to expect that Target would've set up the direct debit correctly or contacted him sooner if there was a problem.

And given the amount involved, I think it is reasonable that he wouldn't have noticed, from his current account statements, that this hadn't happened. His annual loan statements from Target also seem to have indicated that there were no fees outstanding.

Target says, even though it made an error, Mr S should be required to pay all of the fees, including those that it failed to collect. But I don't think that is entirely fair.

I think it is reasonable that Mr S is responsible for the fees from the point the error was discovered in April 2021. But the reason the fees before this (totalling £41) were missed was because of Target doing something wrong. Without which I'm satisfied Mr S would likely have paid the fees on time as required. I've thought carefully about this and considered our services general approach to similar scenarios – particularly where a loan has been underfunded because a business has not collected the correct amount. And having done so,

I think, on a fair and reasonable basis, Target should write off the fees that were missed due to its error, totalling £41.

Target has already confirmed that no adverse information has been recorded with credit reference agencies in respect of these fees, so I'm satisfied that it doesn't need to take any further action in this regard.

While I think that Target should write off fees missed, I don't think it would be fair to require it to pay further compensation. I appreciate that it would've been a shock for Mr S to be told that something had gone wrong. But I don't think Target was wrong to write to him to explain this. It needed to let him know. The letter from Target acknowledged it had made an error.

Which I think was fair. And when Mr S called Target to discuss this, although it didn't agree to write the amount off, it did apologise. And again, I think this was fair.

I know Mr S was unhappy and disappointed that Target did not agree to write the balance off at the time which led to him pursuing his complaint with our service. But it was entitled decide what it felt was appropriate when reviewing the complaint. And just because I think it should now do something differently, that doesn't mean the service it provided when handling the complaint was inadequate – it just didn't agree with what Mr S wanted.

Overall, I'm satisfied that waiving the fees I've mentioned is a fair way of addressing the initial error in not collecting them to begin with.

Responses to my provisional decision

I gave both parties an opportunity to make further comments or send further information before I reached my final decision.

Target said it had nothing further to add to its response to our Investigator's opinion.

Mr S did not provide any additional comments for me to consider.

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.

In Target's response to our Investigator's opinion, it said it felt an apology was sufficient to resolve matters and that it shouldn't be required to pay any redress. And it has said it has nothing further to add to this. I considered these comments when making my provisional findings. But for the reasons I explained, I didn't agree.

Having considered everything again, as neither party have provided me with any additional information to take into account, I see no reason to depart from my provisional findings. And so, for the same reasons – which I've summarised above, I think Target made an error and to put things right, should write off the fees it failed to collect as a result of this error.

My final decision

For the reasons I've explained I uphold Mr S' complaint.

To put things right I order Target Servicing Limited to write off the £41 in management fees that it previously failed to collect.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or

reject my decision before 18 March 2022.

Ben Stoker
Ombudsman