

## **The complaint**

Mr and Mrs S have complained that Target Servicing Limited has made an error in relation to the collection of a monthly fee on their help-to-buy (HTB) loan, but is continuing to hold them liable for the amounts it failed to collect.

## **What happened**

In 2017 Mr and Mrs S bought a property with the aid of a HTB equity loan. Responsibility for administering the HTB scheme was migrated to Target in October 2017.

In March 2021 Target wrote to Mr and Mrs S explaining that it had made a mistake and failed to collect a £1 monthly fee payable under the HTB agreement. Target said Mr and Mrs S owed £48 in unpaid fees, which Target wanted them to repay. Target asked them to set up a direct debit.

Mr and Mrs S complained to Target. In its final response letter, Target explained that it had made a mistake in not setting up a direct debit for the £1 monthly payment. Target also acknowledged that it hadn't made Mr and Mrs S aware that they owed anything until it wrote to them in March 2021. Target upheld the complaint and apologised.

However, Target didn't offer any redress, and told Mr and Mrs S they now owed £57. Target told Mr and Mrs S they could complaint to our service if they were still unhappy.

Mr and Mrs S contacted our service, and an investigator looked at the complaint. He thought Target should write off £48 in fees. Because Mr and Mrs S were in the process of redeeming their HTB loan, if they had already done so, the investigator thought Target should reimburse Mr and Mrs S for the £48, as this would have been taken from the redemption figure.

Target didn't agree it should reimburse the £48. It repeated what it had said in its final response letter, and thought it wasn't fair that it should have to refund this.

As the matter is unresolved, it falls to me to reach a final 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.

I've looked at the HTB agreement and this does confirm that a monthly management fee of £1 was payable from the outset. Target has accepted that it was its mistake that led to this not being collected for 48 months.

Target says that, although it agrees it made a mistake, it considers Mr and Mrs S are required to pay all the fees, including those it failed to collect through its own error. However, I'm not persuaded this would be fair or reasonable.

I think it's reasonable for Mr and Mrs S to be responsible for the fees from the point they were first told about the mistake, in March 2021. The fees form part of the agreement and Target made them aware of the issue at that time, so Mr and Mrs S knew from that point onward that they needed to pay the £1 fee each month.

However, the only reason the fees prior to March 2021 were missed was because Target had done something wrong. But for this error, I'm satisfied Mr and Mrs S would have paid the fees on time as required, and wouldn't have then been told there was a larger lump sum outstanding.

Target accepts that Mr and Mrs S didn't know, and couldn't have known, they hadn't paid the monthly £1 fee until it told them in March 2021. So I've thought about the implications of this, and considered our service's general approach to similar situations – specifically where a loan has been underfunded (that is, not enough has been paid towards it) because a business has made a mistake and not collected the correct amount.

Having done so, I think it is fair and reasonable for Target to cover the underfunding of £48. This is because it is solely as a result of Target's mistake that £48 too little was collected by Target to be applied to the HTB loan, and there was nothing in the documentation sent by Target from October 2017 that would have alerted Mr and Mrs S that they weren't paying enough.

Mr and Mrs S have now repaid their HTB loan in full, which included the £48 which I have decided Target is required to cover. This should now be refunded to them.

### **Putting things right**

In full and final settlement of this complaint, I direct Target Servicing Limited to pay £48 to Mr and Mrs S.

### **My final decision**

My final decision is that I uphold this complaint, which must be settled by Target Servicing Limited as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S and Mr S to accept or reject my decision before 19 May 2022.

Jan O'Leary  
**Ombudsman**