

## **The complaint**

Mr and Mrs S complain that Target Servicing Limited has treated them unfairly by asking them to repay overdue management fees. They say this is unfair as it was Target's error that led to the fees not being paid.

## **What happened**

Mr and Mrs S took out a help to buy equity loan in December 2016. At the time they completed a direct debit instruction to pay a £1 monthly management fee from the date they took out the loan. In April 2017 the administration of Mr and Mrs S's equity loan was transferred to Target.

Target says that, due to an administration error, Mr and Mrs S's direct debit wasn't set up and the management fee hasn't been paid. Mr and Mrs S were only told about this years later when Target reviewed any accounts that didn't have an active direct debit.

On 23 March 2021 Target wrote to Mr and Mrs S. Target asked them to set up a new direct debit instruction for the management fee going forward and to arrange to repay the arrears of around £50 that had built up since the start of the loan.

Mr and Mrs S complained to Target. It issued a final response letter on 11 June 2021, upholding part of their complaint. Target agreed that the payments hadn't been taken due to its administrative error and that it was sorry that Mr and Mrs S were not told about this for years. However, Target still asked that Mr and Mrs S make up the missed payments now. It said the unpaid management fees were due to be paid by Mr and Mrs S under the terms and conditions of the contract they had signed when they took out the equity loan. Target said it was unable to waive any of the management fee payments despite its error.

Mr and Mrs S were unhappy with Target's response and referred their complaint to us.

Our investigator looked into what had happened. He thought Mr and Mrs S's complaint should be upheld. To put things right, he thought it was reasonable that Target waived the management fees outstanding to the point its error was identified. He also thought Target's handling of the issue had caused upset to Mr and Mrs S in their particular circumstances. He thought it fair that Target pay Mr and Mrs S £75 for the trouble and upset its mistake had caused to them.

Target didn't agree with our investigator's findings. It asked that an ombudsman look at the complaint again and reach a final decision on the matter.

## **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.

Having done so, I find myself in broad agreement with our investigator about what should be done now to put things right. I'll explain why.

I've looked at the terms of the agreement signed by Mr and Mrs S. I'm satisfied it was made reasonably clear that there was a £1 monthly management fee to be paid. Target has said that it made a mistake administering Mr and Mrs S's help to buy equity loan. And that its mistake went unidentified for four years.

I've thought about whether Mr and Mrs S could possibly have known sooner that there was a problem with the management fee payments they had agreed to make. I can see from the annual equity loan statements sent to Mr and Mrs S that they were told by Target each year that they had no administrative fees outstanding. I also consider that the amount to be paid was so small that I think it's plausible that Mr and Mrs S didn't notice it wasn't being taken by Target each month.

I can understand why Mr and Mrs S were upset when they received the letter from Target saying they were behind with the payment of fees. They were also frustrated to find that they needed to find a way of paying an additional £50 to Target. I consider it would have led to a loss of expectation on the part of Mr and Mrs S to find out that the annual statements they had relied upon had been incorrectly reporting them as being up to date with payments due.

I'm pleased to see that Target gave Mr and Mrs S some options to repay this amount in a way that was affordable to them. Target said it could take the amount owed in full along with their first direct debit instalment. Or it said Mr and Mrs S could pay the additional amount when they settled their equity loan, or by way of a regular payment arrangement with Target. I think it's reasonable that it offered these options to Mr and Mrs S.

However, in the particular circumstances of this complaint, I don't think it is fair for Target to ask Mr and Mrs S to repay the management fees from the start of the loan to the date the problem was explained to them. I'm persuaded that if Mr and Mrs S had known that they were underpaying this amount sooner, they would have made the payments of £1 each month over the years. Target's administrative error meant they didn't have this opportunity.

I consider that *but for Target's error*, Mr and Mrs S would have made this payment each month for years. And it is only because of Target's mistake that they are being asked to make additional payments now. While this amount is due to Target under the contract, I don't think it is fair and reasonable for Target to charge these historic fees to Mr and Mrs S now.

Mr and Mrs S have said why this matter has had a detrimental impact on them. They've explained that they have both been suffered long term ill health since the pandemic and that this error came to light at a difficult time for their family and during a time of financial pressure.

I'm persuaded that this issue has upset Mr and Mrs S. I can understand why they were worried to be told they were behind with payments having relied on their annual statements which said they were up to date with their equity loan and other fees and costs.

There have also been other issues with the administration of the loan, such as problems Mrs S encountered trying to correct the spelling of their names on Target's records. I understand this took months to resolve. I can see why Mrs S felt this was another administrative error on top of the monthly management fee issue and this caused her additional stress and inconvenience.

### **Putting things right**

To put things right, I think that it's fair and reasonable that Target waives the monthly management fee from the start of the equity loan to March 2021, when the issue was identified and explained to Mr and Mrs S.

I also consider it fair that Target should pay Mr and Mrs S £75 for the trouble and upset caused to them by its mistake.

### **My final decision**

My final decision is that this complaint against Target Servicing Limited is upheld. I direct Target Servicing Limited to do the following to settle the matter:

- Waive the monthly management fee from the start of the equity loan to March 2021 when the issue was identified and explained to Mr and Mrs S;
- Pay Mr and Mrs S £75 for the trouble and upset caused to them by its mistake.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S and Mrs S to accept or reject my decision before 8 September 2022.

Emma Peters  
**Ombudsman**