

The complaint

Mr and Mrs H 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.

Mr and Mrs H also say the monthly management fee wasn't explained to them when the help to buy equity loan was sold to them.

What happened

Mr and Mrs H took out a help to buy equity loan in September 2017 that has been administered by Target.

Target says that, due to an administration error, Mr and Mrs H's direct debit instruction wasn't set up when they took out the loan. This meant that the management fee of £1 per month wasn't paid since the start of the loan. Mr and Mrs H only found out about this over three years later when Target reviewed any accounts that didn't have an active direct debit.

On 12 May 2021 Target wrote to Mr and Mrs H. 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 £44 that had built up since the start of the loan.

Mr and Mrs H complained to Target saying they believe it has undertaken poor professional practices and it can't keep on top of its administration. Target issued a final response letter to their concerns, 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 H were not told about this for so long. However, Target still said that Mr and Mrs H needed to make up the missed payments now. It said the unpaid management fees were due to be paid by Mr and Mrs H 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 H were unhappy with Target's response and referred their complaint to us. Since Mr and Mrs H referred their complaint to us, they have repaid their equity loan. They say Target deducted the outstanding management fee at the point the loan was redeemed without notifying them.

Our investigator looked into what had happened. He thought Mr and Mrs H's complaint should be upheld. He thought Target was contractually entitled to have been paid the £1 monthly management fee, but he thought it was reasonable that Target waived the management fees outstanding to the point its error was identified. He said Target's handling of the issue had caused upset to Mr and Mrs H. He thought it fair that Target pay Mr and Mrs H £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 agree that this complaint should be upheld. I'm also in broad agreement about what should be done now to put things right.

I've looked at the terms of the agreement signed by Mr and Mrs H. 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 H's help to buy equity loan. It has agreed that it was its fault that no management fee was taken for over three years and that it's sorry its mistake went unidentified for so long.

I've thought about whether Mr and Mrs H could possibly have known sooner that there was a problem with the management fee payments set out in the contract. I can see from the annual equity loan statements sent to Mr and Mrs H 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 H didn't notice it wasn't being taken by Target each month.

I can understand why Mr and Mrs H were upset when they received the letter from Target saying they were behind with the payment of fees that they didn't recognise or remember agreeing to when the equity loan was taken out. They were also frustrated to find that they needed to find a way of paying an additional £44 to Target. I consider it would have led to a loss of expectation on the part of Mr and Mrs H, not least as their annual equity loan statements reported them as being up to date with administrative fees and charges.

I'm pleased to see that Target gave Mr and Mrs H 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 H 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 H.

However, in the particular circumstances of this complaint, I don't think it is fair for Target to ask Mr and Mrs H 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 H 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 H would have made this payment each month for years. And it is only because of Target's mistake that they were asked to make additional payments now. While I'm satisfied this amount was due to Target under the contract, I don't think it is fair and reasonable that Target charged these historic fees to Mr and Mrs H when they repaid their equity loan.

Mr and Mrs H have said why this matter has had a detrimental impact on them. Mr and Mrs H have said that they appreciate that the sum of money involved isn't huge, but it made them question the integrity and professional conduct of Target. I also consider their frustration over the whole situation would have been exacerbated by Target taking the payment of the management fees outstanding at the point they repaid the equity loan without discussing this with Mr and Mrs H.

I'm persuaded that this issue has been upsetting for Mr and Mrs H. I can understand why Mr and Mrs H were worried to be told they were behind with payments to Target, when they had been led to believe they were up to date with their equity loan and other fees and costs.

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 May 2021, when the issue was identified and explained to Mr and Mrs H. I believe the amount which has been deducted when Mr and Mrs H repaid the equity loan was £44. I think it is also appropriate that when Target reimburse Mr and Mrs H, that it applied interest at 8% simple from the date Mr and Mrs H repaid the equity loan to the date that Target processes the refund of the fees.

In addition, I consider it fair that Target should pay Mr and Mrs H £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:

- Reimburse Mr and Mrs H for the monthly management fee from the start of the equity loan to May 2021 when the issue was identified and explained to them (plus interest to be applied at 8% simple from the date the equity loan was redeemed to the date Target refunds the amount to Mr and Mrs H);
- Pay Mr and Mrs H £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 H and Mrs H to accept or reject my decision before 9 September 2022.

Emma Peters
Ombudsman