

The complaint

Miss N complains that Target Servicing Limited has treated her unfairly by asking her to repay overdue management fees charged to her help to buy loan. Miss N says this is unfair as it was Target's error that led to the fees not being paid sooner.

Miss N would like Target to refund the 'overdue' management fees she's paid to it.

What happened

Miss N took out a help to buy shared equity loan in December 2017 that has been administered by Target.

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

On 14 May 2021 Target wrote to Miss N. Target asked her to set up a new direct debit instruction for the management fee going forward and to arrange to repay the arrears of around £39 that had built up since the start of the loan.

In June 2021 Miss N complained to Target. Miss N said she had no recollection that there was a monthly management fee of £1 per month or that this hadn't been paid. And Miss N couldn't understand why the direct debit hadn't been properly set up when she purchased her property.

Target issued a final response letter to her concerns, upholding part of the complaint. Target agreed that the payments hadn't been taken due to its administrative error and that it was sorry that Miss N hadn't been told about this for so long. However, Target still said that Miss N needed to make up the missed payments now. It said the unpaid management fees were due to be paid by Miss N under the terms and conditions of the contract she had signed when she took out the equity loan. Target said it was unable to waive any of the management fee payments despite its error.

Miss N was unhappy with Target's response and referred her complaint to us. Miss N said she would set up a direct debit for future payments but she didn't think it was fair she was now expected to pay historic amounts because of Target's error.

On 22 June 2021, Target says Miss N made a payment of outstanding management fees of £42. Miss N has told us she did this because she was worried that she might end up with arrears being reported on her credit file if she didn't make the payment.

Our investigator looked into what had happened. He thought Miss N's complaint should be upheld. He thought Target was contractually entitled to have been paid the £1 monthly management fee, but he considered it reasonable that Target refund the management fees outstanding to the point its error was identified. He said Target's handling of the issue had

caused upset to Miss N. He thought it fair that Target pay Miss N £75 for the trouble and upset its mistake had caused to her.

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 with our investigator about what should be done now to put things right.

I've looked at the terms of the agreement signed by Miss N. I'm satisfied it was made reasonably clear that there was a £1 monthly management fee to be paid. However, Target has admitted that it made a mistake administering Miss N's help to buy equity loan. Target has agreed that it was at fault for not requesting payment of the management fee for years and that it's sorry it didn't identify its error sooner.

I can understand why Miss N wasn't sure what to make of the letter she received from Target saying she was behind with the payment of fees. I believe Miss N when she says she had no recollection of the fee. I can also see why Miss N thought it might be a scam and an attempt by a third party to get her payment details. As Miss N has said, this situation only came about because Target failed to ask for payments. I can see why Miss N hadn't noticed this small payment of £1 per month hadn't been taken after she purchased her property.

In the particular circumstances of this complaint, I don't think it is fair for Target to ask Miss N to repay the management fees from the start of the loan to the date the problem was brought to her attention. I'm persuaded that if Miss N had known that she was underpaying this amount sooner, she would have made the payments of £1 each month over the years. Miss N had signed a direct debit instruction and has shown that she is willing to pay the payment. It was only due to Target's administrative error that she didn't have this opportunity.

I consider that *but for Target's error*, Miss N would have made this payment each month for years. And it is only because of Target's mistake that Miss N has found herself asked to make a payment of around £42 in 2021. While I'm satisfied this amount was due under the contract, I don't think it is fair and reasonable that Target ask Miss N to pay those historic fees now.

While Target did accept its mistake, it didn't recognise the impact that its mistake made on Miss N. Target's actions caused worry, inconvenience and upset to Miss N and I agree with our investigator that a payment of £75 for the trouble and upset caused to Miss N is appropriate in the circumstances.

Putting things right

To put things right, I think that it's fair and reasonable that Target should not collect the monthly management fee from the start of the equity loan to when the issue was identified and explained to Mrs N. Target has said that Miss N paid an amount of £42 in June 2021. I think this should be refunded to Miss N. I think it is also appropriate that when Target reimburse Miss N, that it should apply interest at 8% simple from the date Miss N repaid the fees to the date that Target processes the refund to her.

In addition, I consider it fair that Target should pay Miss N £75 for the trouble and upset caused to her 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 Miss N for the monthly management fees paid to Target in June 2021 (plus annual interest to be applied at 8% simple from the date in June 2021 to the date that Target refunds the amount to Miss N);
- Pay Miss N £75 for the trouble and upset caused to her by its mistake.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss N to accept or reject my decision before 7 October 2022.

Emma Peters
Ombudsman