

## **The complaint**

This complaint is about an outstanding debt Mr and Mrs R were informed of following the redemption of their mortgage with Nationwide Building Society (“Nationwide”).

## **What happened**

On 19 June 2020, Mr and Mrs R, through a solicitor, paid off the redemption amount of their mortgage with Nationwide. But on 24 June 2020, Nationwide attempted to collect the regular direct debit for Mr and Mrs R’s contractual monthly payment (“CMP”) of £1,452.25.

Nationwide processed a refund to Mr and Mrs R for £1,452.25 on 30 June 2020. And Mr R contacted Nationwide on 1 July 2020 to query the refund. At this time, he was informed the refund had been processed correctly and no further action was required.

But Nationwide later became aware that the direct debit was returned unpaid – as the mortgage had been redeemed in full, the direct debit was already cancelled. This meant Mr and Mrs R would need to return the refund they received, because they had been refunded for a payment that had never actually been made.

Nationwide wrote to the solicitor involved in the mortgage redemption on 23 July 2020, 1 September 2020 and again on 22 September 2020. The letters said that £1,452.25 was owed, and Mr and Mrs R’s account would remain open until the amount outstanding was repaid. When no response was received, Nationwide passed the outstanding amount on to a debt collection agency in October 2020.

Mr and Mrs R complained that they were never directly informed the funds needed to be returned to Nationwide, so they had no way of knowing their mortgage account remained open with an outstanding balance. They only found out around 17 months later when the debt collection agency contacted them. Mr and Mrs R say, given the timescales involved, and incorrect information received, the outstanding amount should be written off.

Nationwide looked into Mr and Mrs R’s concerns and apologised for any confusion caused. Nationwide offered them £100 in compensation but confirmed that the outstanding amount would need to be paid.

Our investigator looked into Mr and Mrs R’s concerns, and agreed that the outstanding amount would have to be paid by Mr and Mrs R. But they didn’t think Nationwide had done enough to make sure a fair repayment plan would be put in place. They also thought Nationwide should increase its offer of compensation to £250. As Mr and Mrs R disagreed, the complaint was passed to me to decide.

## **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 think Mr and Mrs R’s complaint should be upheld, and I’ll explain why.

Nationwide has accepted responsibility for all of the problems Mr and Mrs R say they experienced, so I don't think it's necessary to comment on each mistake further. That means, in this complaint, my role is to consider the impact of the problems Mr and Mrs R experienced. And to decide whether Nationwide has done enough to put things right.

Nationwide says Mr and Mrs R still need to return the incorrect refund they received. I've thought about this carefully and I empathise with Mr and Mrs R that they are only finding this out now. Particularly because it's been several months since they redeemed their mortgage and they also phoned Nationwide to double check the refund was correct at the time. That said, they have received a refund of £1,452.25 that they were not entitled to. And in the circumstances, it would not be appropriate for me to ask for this sum to be written off. So, Mr and Mrs R will need to arrange to repay this sum.

Nationwide is responsible for this mistake and for the delay in Mr and Mrs R finding out about it, so it will need to be fair to Mr and Mrs R when they arrange making the repayment. For example, they should be able to reach an agreement on a monthly repayment plan that is comfortable for Mr and Mrs R taking into account their current monthly living expenses. It's up to Mr and Mrs R to decide whether to share this information with Nationwide or not. But if they chose not to provide the information, Nationwide won't be able to enter into a repayment plan. Instead, the amount will have to be repaid in one go. If a suitable repayment plan can't be agreed then that would be considered a new complaint that could be looked into at the time.

In the circumstances, I don't think it's appropriate for Mr and Mrs R to have to contact a debt collection agency – they should be able to make payments to Nationwide directly to avoid any further stress or inconvenience. Nationwide has raised some concerns about how it will do this, but it will need to work out a way to make sure Mr and Mrs R deal with it directly.

In addition to the stress caused to Mr and Mrs R having to repay the sum, Nationwide has caused a significant delay in the closure of their mortgage account and referred Mr and Mrs R to a debt collection agency without having contacted them first. This situation would undoubtedly have been stressful for Mr and Mrs R, so I think Nationwide should increase the compensation offered. I agree with our investigator that £250 is more appropriate in the circumstances.

I understand Mr and Mrs R may be expecting more compensation than this, but I have factored in that their credit file shouldn't have been impacted on in anyway. And the mistake didn't prevent them from obtaining a mortgage elsewhere. So, the impact really comes down to the stress of initially finding out about the mistake and the inconvenience of having to return the funds they never should have had.

Nationwide accepted responsibility for the mistake once it was pointed out and this should have alleviated some of Mr and Mrs R's concerns fairly quickly. While I understand their frustration at having to repay the funds unexpectedly, we have asked Nationwide to treat them fairly when discussing repayment methods, so this should reduce the impact on them.

## **Putting things right**

Nationwide should:

- Increase the compensation offered to £250 in total.
- Recall the outstanding balance with the debt collection agency and arrange a repayment plan with Mr and Mrs R directly. Any repayment plan should be fair – taking their current circumstances into consideration.
- There should be no adverse information recorded on Mr and Mrs R's credit files. If there has been any impact, for example, any entries created by the debt collection agency – this should be removed.

## **My final decision**

For the reasons explained above, I uphold Mr and Mrs R's complaint and Nationwide should put things right in line with what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs R to accept or reject my decision before 24 August 2022.

Hanna Johnson  
**Ombudsman**