

## **The complaint**

Mr J and Mrs N complain about charges applied to their mortgage account with Kensington Mortgage Company Limited. They say they weren't aware of the charges until recently. They ask that the charges are written off.

## **What happened**

Mr J and Mrs N originally took out their interest only mortgage with another lender. It was sold to Kensington in May 2016.

Mr J says in 2022 they asked to switch their mortgage onto a capital repayment basis. Kensington said they couldn't do this until they paid outstanding charges of about £1,700. Mr J says they weren't aware of these charges until then, and says the charges were applied wrongly. He says they can't afford to pay the charges and asks that they are written off.

Our investigator said we can't look into whether the charges were applied fairly. He said as they were applied more than six years before Mr J and Mrs N made their complaint, this part of the complaint is outside our time limits. The complaint proceeded on this basis.

Our investigator said Kensington should have made Mr J and Mrs N aware of the charges, which are interest bearing, and give them an opportunity to pay them rather than add them to the mortgage balance. The annual statements didn't set out the charges separately, and Kensington couldn't provide evidence it had contacted Mr J and Mrs N about the charges since taking over the mortgage in 2016. The investigator said Kensington should pay compensation of £100.

Neither Kensington nor Mr J and Mrs N responded.

## **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.

Kensington provided copies of letters sent to Mr J and Mrs N in May 2016 about the transfer of the mortgage to Kensington. It provided copies of annual mortgage statements sent to Mr J and Mrs N since 2016.

Kensington also provided a copy of a letter sent to Mr J and Mrs N by their previous lender in May 2016. This set out their arrears balance and interest-bearing fees balance. Mr J says they didn't receive this letter.

Kensington says these charges (which were applied by the previous lender) are included in Mr J and Mrs N's mortgage balance. The charges don't appear separately on their annual mortgage statements.

I think it would have been fair for Kensington to make Mr J and Mrs N aware of the charges, and that interest is applied to them. This would have allowed Mr J and Mrs N to consider whether to pay the charges.

Kensington can't provide evidence that it made Mr J and Mrs N aware of the charges (separate from the mortgage balance) until 2022, when Mr J says he asked about switching to a repayment mortgage.

Mr J says they can't afford to pay the charges. I don't think I can fairly find that Mr J and Mrs N would have already paid the charges if Kensington had made them aware sooner. I can see from Kensington's records that Mr J and Mrs N have, at times, had difficulty making their mortgage payments on time.

While I can appreciate that finding out about the charges was upsetting for Mr J and Mrs N – especially at a time when they can't easily pay them – I don't think this makes it fair and reasonable in the circumstances to require Kensington to write off the charges. I think, for the upset caused, Kensington should pay £100 compensation.

### **My final decision**

My decision is that Kensington Mortgage Company Limited should pay £100 to Mr J and Mrs N (if it hasn't already done so).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J and Mrs N to accept or reject my decision before 24 March 2023.

Ruth Stevenson  
**Ombudsman**