

The complaint

Ms O complains about how The Co-operative Bank Plc trading as Platform managed her mortgage, prior to its redemption in November 2021.

What happened

Ms O brought a very detailed complaint to our service, in which she asked our service to look at how Platform had handled her mortgage over many years.

In response to this, I provided a decision setting out that, unfortunately, our service couldn't now consider a number of the points that Ms O had raised. I said our service would only be able to consider Ms O's complaint about arrears interest added to Miss O's mortgage from 26 November 2015, until she redeemed her mortgage on 25 November 2021, and about the addition of any debt recovery fees or charges applied to Miss O's mortgage in the same period (including the amount Miss O says was either duplicated, or already paid).

Our investigator then provided his view of this part of Ms O's complaint. He said Ms O had been charged some arrears interest during the period between 26 November 2015 and 25 November 2021. But as her mortgage had remained in arrears until 10 July 2019, and that matched the time when these interest charges were incurred, he thought these arrears interest charges were correctly applied.

Our investigator noted that Ms O had queried why she was asked to pay off an amount of arrears interest when the mortgage was being redeemed. She said she'd been making her full monthly payments, without missing any, for quite some time before this, so she didn't think she should owe arrears interest.

Our investigator said he'd seen the terms of Ms O's mortgage, and Platform was entitled to charge interest on the arrears. And the statements Platform was sending her confirmed that the payments she was making each month didn't pay off that arrears interest. Instead, it would be paid back when the mortgage was redeemed. Our investigator set out the relevant provisions for Ms O, which said these amounts would be included in any redemption quote.

Our investigator explained that we could only look at any fees, charges or interest applied after 26 November 2015. And there were no debt recovery charges during this time. But he said that Platform had provided information setting out how all the debt recovery charges and arrears interest costs previously applied to Ms O's mortgage had been incurred.

Our investigator didn't think Ms O had been charged these amounts twice, and he didn't think Platform had done anything wrong.

Ms O didn't agree. She sent us an annotated list of charges which she said had already been debited and added back to the redemption statement.

Our investigator confirmed that he'd checked, and this wasn't the case. Her redemption statement said Ms O owed Platform £206,048.43 as a mortgage balance, plus an arrears

charge of £2,515.01. Ms O's last mortgage statement showed the total balance as £209,262.29, which was made up of the mortgage balance and the arrears balance. Our investigator said these amounts had just been set out separately on the redemption statement.

Ms O sent our service annotated copies of her statement going back some years. She said she'd already paid more than the £2,505.01, plus other charges, and these shouldn't have been added back in at redemption. Ms O also said she'd cleared her arrears sometime between 2018 and 2019, with the payment of a lump sum.

Ms O followed this with two calculations of what she thought she should owe (she asked us to replace the first with the second, because of a transposition error). Both of these calculations relied on correcting errors Ms O said that Platform had made several years prior to the period that we're considering for this complaint.

This case was then passed to me for a final decision.

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.

I've reached the same overall conclusion on this complaint as our investigator.

I should stress here that I'm looking only at the part of Ms O's complaint which our service's previous jurisdiction decision said we could consider.

So I will only consider here Ms O's complaint about arrears interest added to Miss O's mortgage from 26 November 2015, until she redeemed her mortgage on 25 November 2021, and about the addition of any debt recovery fees or charges applied to Miss O's mortgage in the same period (including the amount Miss O says was either duplicated, or already paid).

For those reasons, I can't take account of other errors Ms O says predate this, which she says then affected the amount she was asked to pay when she redeemed this mortgage.

I appreciate that the presentation of Ms O's annual mortgage statements may be confusing, because the balance in the right hand column doesn't differentiate between two debts. It adds them together, and provides one total.

But, as our investigator explained, that total amount isn't all made up of the same thing, and that amount isn't all treated in the same way.

Ms O is charged interest on her mortgage. That interest is added to her mortgage debt, and then cleared every month, by the regular monthly payments Ms O made.

We know that Ms O has, historically, got behind on some of her mortgage payments. And while Ms O was in arrears (before her lump sum payment made in July 2019) she was charged interest on those arrears. But, importantly, Platform doesn't treat this interest in the same way as her ordinary mortgage debt. It keeps this amount separate, so Ms O isn't charged interest on this.

So, as our investigator noted, Ms O's annual statements have for some time included a separate, non-interest bearing balance. Those statements also explain that Ms O's monthly payments don't include any money towards that balance.

Ms O's lump sum payment cleared the arrears, and stopped any increase in the non-interest bearing balance. After Ms O paid off her arrears with a lump sum payment on 10 July 2019, the arrears interest for that month was considerably lower than previously. There are then no further amounts of arrears interest added after this.

But Ms O didn't pay her non-interest bearing balance off at the same time as she paid off the arrears. And none of the regular monthly payments Ms O has made since, reduced this non-interest bearing balance.

The statements Platform has shown us made clear that Ms O would be asked to pay this non-interest bearing balance when she redeemed her mortgage.

If we look back at when Ms O's arrears first started, I can see that Platform wrote to Ms O on 24 November 2014 to confirm the same thing – that she would be charged interest on her arrears, this balance would be kept separate, and she could pay it off once she'd paid the arrears, if she wanted to.

After this, starting in December 2015, Platform wrote to her each quarter, with letters setting out the total arrears, and the total non-interest bearing balance, which was made up of debt recovery fees previously charged, and interest on the arrears she then owed.

That's why, as our investigator explained, Ms O's mortgage statements show an "*Interest Bearing Account Balance*" and also, separately a "*Non-interest Bearing Account Balance*" which, when put together, give the "*Total Account Balance*" (and that matches the amount in the final column on the right, adding together the total Ms O owed on each statement).

Platform has provided a summary of all the debt recovery charges and arrears interest charged on Ms O's account. On 30 November 2021, it also sent Ms O a summary of the arrears history on her account. That's a lengthy document, which Ms O has shared with us. It's also a little clearer than her annual mortgage statements, because on this document, Platform has separated out the arrears balance, and any arrears interest that was charged on this balance, from the rest of Ms O's mortgage.

This document also confirms that no debt recovery charges were added during the period of 26 November 2015 to 25 November 2021.

The document shows that arrears interest was added during this period, until Ms O made her lump sum payment on 10 July 2019. The arrears history for Ms O's account shows that the arrears were cleared on 10 July 2019. But it also shows that this lump sum payment didn't also clear the arrears interest which had accrued. So this amount remained.

So I think our investigator was right to say that Platform's terms mean that when Ms O makes her monthly payments, she isn't clearing this non-interest bearing amount, and that Platform was right to add it at the end of her mortgage. I think the documents I've seen are consistent on this point. And, importantly, I have found no evidence that either these sums have been duplicated, or that Ms O had already paid them off before she redeemed her mortgage.

For those reasons, I don't think this complaint should be upheld. I know that Ms O will be disappointed, but I hope the above explanation assists her.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss O to accept or reject my decision before 28 June 2023.

Esther Absalom-Gough
Ombudsman