

The complaint

Mr and Mrs K are unhappy as they feel that Target caused delays issuing them a deed of postponement which prevented Mr and Mrs K from completing on their remortgage on 1 November 2021.

What happened

Mr and Mrs K took out a help to buy loan in 2019. They took out a mortgage and also took out a help to buy loan to part-fund their deposit.

Help to buy loans are government-funded shared equity loans. The lender is a government agency, and the scheme is administered by Target.

On 31 October 2021, Mr and Mrs K's two-year fixed rate was due to expire so they decided to move their mortgage to another lender.

Because the help to buy loan is secured over Mr and Mrs K's property by way of a second charge, their new mortgage lender needed Target to agree to a deed of postponement – so that when the old lender removed its charge, the new lender could take first charge ahead of the help to buy loan.

Mr and Mrs K said their solicitor contacted Target in August 2021 about the deed of postponement as they were looking to remortgage and borrow additional funds for work they were going to complete on their property in order to support Mr K's disability.

Mr K called Target on 12 October 2021 as he hadn't heard anything. He advised Target that they were going to remortgage to a new lender and required a deed of postponement.

Mr K said he called Target again on 14 October 2021 to ask for an update and Target told him they were waiting for the original mortgage offer; the new mortgage offer and a redemption statement.

On 20 October 2021 Target called Mr K to discuss the outstanding requirements and asked him for a General Practitioner's (GP) letter. Mr K challenged this as he said he had already sent in his Personal Independence Payment (PIP) letter. Target confirmed that they would accept the PIP instead of obtaining a letter from the GP.

On 21 October 2021, Target emailed Mr K to request an administration fee of £115.00, the new mortgage offer and the mortgage redemption statement. This email confirmed that once these documents were received, it would take between four to six weeks for the deed to be sealed.

On 25 November 2021, Target confirmed they did need a GP letter but told Mr K that they could approve the deed of postponement in principle as long as they had the letter before the deed was sealed.

The sealed deed was received on 8 December 2021 and posted on 9 December.

Mr and Mrs K said Target delayed them completing on their remortgage which was due to start in November 2021, after their fixed rate expired. They said they had to pay a few months on the standard variable rate because of Target's delays.

Target said there was a delay of around four days migrating Mr and Mrs K's details over from a different system but didn't think they had caused any other delays. They explained

that it can take four to six weeks for the documents to come back sealed which is the process.

Mr and Mrs K didn't agree with this, so they brought their complaint to the Financial Ombudsman Service where it was looked at by one of our investigators. Our investigator didn't think that Target were responsible for all the delays due to how long the process takes, but thought they had delayed things by a few weeks. So she asked Target to pay the difference of the old lenders SVR and their new lender's fixed rate – for one month. The investigator also thought that Target should pay Mr and Mrs K £50 for the stress and inconvenience caused.

Mr and Mrs K didn't agree with this. They said they had been caused a considerable amount of stress by Target and didn't think £50 was sufficient. They also thought that Target should refund three months of additional difference in the standard variable rate due to the delays caused from the start.

As they disagreed with the investigator, they asked for the complaint to be reviewed by an ombudsman, so it was passed to me to decide.

My provisional decision

I issued a provisional decision on 27 April 2023. I said:

I've considered the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Mr and Mrs K applied to their new lender, and received a mortgage offer in September 2021. They said that their solicitor sent an email to Target in August 2021 to start the process.

Mr and Mrs K have provided us a copy of the email that their solicitor sent to Target in August 2021. Target have said they never received this email, so they didn't start the process until 12 October 2021 when Mr K contacted them.

I have looked at the email that the solicitor sent to Target on 20 August 2021 which says they have attached the deed of postponement and they are looking forward to receiving the executed deed. It's evident that this email was sent to Target in August however, there is a process that needed to be followed. This involved sending the old and new mortgage offer to Target, paying an administration fee, sending details of the solicitor who is acting on Mr and Mrs K's behalf and a copy of the new lenders deed of postponement. Had Target received this email, they should have advised Mr and Mrs K of this process.

Mr K didn't contact Target again until 12 October where it became apparent that this process hadn't yet started. I would expect Mr K or his solicitor to chase up Target if they didn't hear anything on receipt of the solicitor's email from August 2021 – considering that there was an urgency due to the fixed rate ending at the end of October 2021.

Mr and Mrs K didn't get their mortgage offer from the new lender until 10 September 2021 so even if the email had been received by Target, they still needed further information such as the mortgage offer. So as this wasn't received by Mr and Mrs K until September 2021, things still wouldn't have been in place in August or September. I would have expected Mr and Mrs K to contact Target on receipt of this mortgage offer to find out what needed to happen – rather than to wait until October to do so. So I can't hold Target responsible for any delays from 20 August until 12 October – when Mr K called Target to find out what was going on.

Target sent Mr K an email on 21 October 2021 which confirmed that once they had received all the required documents, the deeds would be sent to the relevant department to be sealed and that this process can take up to four to six weeks.

The contact notes provided by Target show that the deed of postponement was sent for sealing on 25 October 2021 and were sent out on 9 December 2021 – so this was done within their specified timescales.

Target did accept that there was a delay by a few days where they had to migrate Mr and Mrs K's details from an old system to a new system, but they didn't think they were responsible for any other delays.

However, it's clear that there were delays when Target initially said they would accept Mr K's PIP letter rather than asking for a GP letter. This was needed because of work that had been carried out at the property to make things easier for Mr K.

Target wouldn't normally want the main mortgage to increase but it's something they would agree to if adjustments had to be made to a property which were needed by the borrower – as is the case here. Target did agree with our investigator that there was a delay of around three to four weeks, so they said they were happy to pay one month's difference in interest rates. I agree with this as based on the evidence I have seen, I'm satisfied that there was a delay.

Mr and Mrs K have explained they would like Target to pay the difference in their interest rates for three months – due to the delay at the start. But as I've already explained, I cannot hold Target responsible for not receiving the email that the solicitor sent in August 2021. And even if they did, there was a process to follow. I understand the urgency in Mr and Mrs K wanting to get this sorted out sooner due to the increase in the interest rate, but Mr K didn't contact Target for an update until 12 October. So I don't think it would be fair to ask Target to pay for an additional two months of payments when this email wasn't received – but more importantly, wasn't chased up by Mr K or his solicitor.

I do however agree with Mr and Mrs K that the issue with the GP letter did cause them stress and worry. It would have been frustrating for Mr K to have to obtain a letter from his GP, but this is something that he always had to obtain. But he wasn't told that from the start as Target said the PIP letter was acceptable. He was given information that wasn't correct and due to his circumstances, I think this had a bigger impact on him than it needed to.

Mr K has found this very difficult, especially with his medical condition and I know this caused stress to him and his family. I don't think that £50 is enough to recognise that. I therefore think that Target should increase this payment to £150 – so pay Mr and Mrs K an additional £100.

My provisional decision

For the reasons given above, I am minded to uphold this complaint and will ask Target Servicing Limited to:

- Cover the difference on one month's mortgage payment between the old lender's SVR rate and the new lender's fixed rate. (Target should consider that the new mortgage is for a higher balance, so the calculation should compare the SVR on the balance with the fixed rate on the new higher balance).
- Pay Mr and Mrs K £150 for the distress and inconvenience caused

Developments

Mr and Mrs K responded to the provisional decision and accepted what I had said. Target also responded and said for them to make the calculation to cover the one-month difference of the SVR rate, they would like to see evidence of these costs. Target said once they have received the evidence, they can commence proceedings to process the redress requirement.

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.

Mr and Mrs K have accepted what I said in the provisional decision and Target have requested evidence in order to process the redress – so I can take it from their response that they have also accepted what I have said.

Mr and Mrs K have sent us the evidence that Target require, and our investigator has sent these documents to Target for them to start the calculation for the one-month difference in payments. Once they have done this, I would expect Target to refund this to Mr and Mrs K along with the £150 distress and inconvenience payment.

My final decision

For the reasons given above, I uphold this complaint and direct Target Servicing Limited to:

- Cover the difference on one month's mortgage payment between the old lender's SVR rate and the new lender's fixed rate. (Target should consider that the new mortgage is for a higher balance, so the calculation should compare the SVR on the balance with the fixed rate on the new higher balance).
- Pay Mr and Mrs K £150 for the distress and inconvenience caused

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K and Mrs K to accept or reject my decision before 9 June 2023.

Maria Drury
Ombudsman