

The complaint

Miss C and Mr S complain that Target Servicing Limited delayed in processing a deed of postponement in respect of their help to buy loan. This meant there was a delay in processing a re-mortgage application.

What happened

Miss C and Mr S bought their property in 2020. They took out a mortgage, and also took 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.

In 2022, as they came to the end of their initial two-year fixed rate, Miss C and Mr S decided to move their mortgage to another lender.

Because the help to buy loan is secured over their 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.

Target charged Miss C and Mr S a £115 fee for the application – which according to its own timescales should have taken four to six weeks to process. Unfortunately, there were delays in completing it, and although the application was first made in July 2022, it didn't go through until October 2022.

Miss C and Mr S complained to Target. It doesn't appear that they received a response, so they referred their complaint to our service.

Our investigator recommended that the complaint be upheld. She said Target should pay Miss C and Mr S:

- The difference between their old lender's SVR and their new lender's fixed rate, for the delayed period past the maximum six weeks expected timeframe, until completion of the new mortgage; and
- pay £200 compensation for their distress and inconvenience.

Target asked our investigator to confirm the completion date so it could carry out its calculations. This information was provided to Target. We didn't hear back and Miss C and Mr S were unhappy with the time taken to resolve things, so they asked for an Ombudsman's final decision.

I issued a provisional decision on 27 October 2023, an extract of which is below.

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I'd like to thank Miss C and Mr S for their

patience while waiting for their case to be referred to an Ombudsman.

Miss C and Mr S applied to their new lender, and received a mortgage offer on 7 June 2022. They then applied to Target. Their old mortgage fixed rate ended, and they reverted to their lender's standard variable rate (SVR) on 17 July.

Miss C and Mr S' solicitors sent all the necessary paperwork to Target on 2 August. It's therefore reasonable to expect that, in accordance with its usual timescales, Target should have sent the deed back to the solicitors by around 13 September at the latest. But it didn't in fact send it until 17 October. This is a delay of around five weeks.

I'm satisfied based on the evidence I've seen that there was delay in this case. Target's normal timescale for returning a deed of postponement is four to six weeks. I'm therefore satisfied that it's reasonable to hold Target responsible for a five-week delay. Target has also agreed to compensate Miss C and Mr S accordingly.

But I don't think it's fair to hold Target responsible for the entire period Miss C and Mr S spent on the SVR, between 17 July and 9 November. I say that because they would always have spent some time on the SVR, even if Target had processed the deed within normal timescales.

The mortgage offer was issued on 7 June, but the necessary paperwork wasn't sent to Target by Miss C and Mr S' solicitors until 2 August. I can't hold Target responsible for any delay – whatever the cause – before it received the documents. And although Target sent the deed to the solicitors on 17 October, the mortgage didn't complete until 9 November.

Again, Target is not responsible for this period. All I can fairly hold Target responsible for is the additional five weeks, outside its usual timescales, it took to process the deed.

The rest of the time Miss C and Mr S spent on SVR – before and after Target was involved, and for the time it should have taken Target to process the deed – is not something I can fairly hold Target responsible for. I'm therefore satisfied that the financial loss Miss C and Mr S have suffered because of Target's delay is five additional weeks on their lender's SVR.

Putting things right

But for Target's delay, Miss C and Mr S would have had five more weeks of their mortgage being charged at their new lender's lower interest rate – and five fewer weeks of the old lender's SVR. In my view, it's fair for Target to pay them the difference between the two.

Miss C and Mr S' new interest rate was 2.43%. Their old lender's SVR was:

- 6.85% between 13 September and 21 September; and*
- 7.35% between 22 September and 17 October.*

I would like Miss C and Mr S, when they respond to my provisional decision, to confirm the balance of their mortgage as at the date of redemption on 9 November 2022.

In the interests of simplicity, I intend to direct Target to pay them five weeks of daily interest on that balance, at:

- an annual rate of 4.42% for 9 days - the difference between the two interest rates between 13 September and 21 September; and*
- an annual rate of 4.92% for 26 days - the difference between the two interest rates*

between 22 September and 17 October.

- *Add 8% simple interest* from the date they made each payment for the interest charged to the date on which Target makes the settlement payment.*

I'm also satisfied that Target's delays also caused Miss C and Mr S' upset and worry at an already difficult time. I'm satisfied £200 is fair compensation.

Finally, I agree with our investigator that it wouldn't be fair to expect Target to refund the application fee – since this was the fee for the service Miss C and Mr S wanted, and the service they eventually – after delays – got.

I note Miss C and Mr S and our investigator have referred to the application fee being £150. I've seen evidence that it was in fact £115. But that makes little difference here as I'm not directing that be refunded.

**Interest is at the rate of 8% a year simple. If Target Servicing Limited considers that it's required by HM Revenue & Customs to take off income tax from that interest, it should tell Miss C and Mr S how much it's taken off. It should also give Miss C and Mr S a certificate showing this if they ask for one, so they can reclaim the tax from HM Revenue & Customs if they ask for one, so they can reclaim the tax from HM Revenue & Customs if appropriate."*

Miss C and Mr S responded to the provisional decision. They accepted the outcome and supplied their redemption statement as requested, to help Target do its redress calculations. Their total balance as of 9 November 2022 was £188,199.80. This consisted of their current mortgage balance and an interest adjustment to redemption.

Target didn't respond to the provisional decision before the deadline provided.

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 note neither side has provided any new evidence or arguments. So I see no reason to depart from my provisional findings. As such, I've reached the same conclusions as set out in my provisional findings to date and for the same reasons.

Putting things right

I uphold this complaint and direct Target Servicing Limited to pay Miss C and Mr S five weeks of daily interest on a balance of £188,199.80, at:

- an annual rate of 4.42% for 9 days;
- an annual rate of 4.92% for 26 days; and
- Add 8% simple interest* from the date they made each payment for the interest charged to the date on which Target Servicing Limited makes the settlement payment.

I'm also satisfied that Target Servicing Limited's delays also caused Miss C and Mr S upset and worry at an already difficult time. I'm satisfied £200 is fair compensation that Target Servicing Limited should pay Miss C and Mr S.

*Interest is at the rate of 8% a year simple. If Target Servicing Limited considers that it's required by HM Revenue & Customs to take off income tax from that interest, it should tell Miss C and Mr S how much it's taken off. It should also give Miss C and Mr S a certificate showing this if they ask for one, so they can reclaim the tax from HM Revenue & Customs if they ask for one, so they can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

My final decision is that I uphold this complaint and direct Target Servicing Limited to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C and Mr S to accept or reject my decision before 11 December 2023.

Arazu Eid
Ombudsman