

The complaint

Mrs W complains that Target Servicing Limited gave her wrong information about her help to buy loan and she has been left in a very difficult position as a result.

What happened

Mrs W and her now ex-husband bought a property in 2015 with the assistance of a help to buy loan of just over £46,000. Help to buy is a government scheme under which borrowers take out an equity loan to help them buy a property. The loan is a second charge secured against the property, ranking behind the borrower's main mortgage lender's first charge. No payments are required to begin with, and the borrower must start paying interest on the loan after the first five years.

The lender of help to buy loans is Homes England (HE), which is a trading name of the Homes and Communities Agency. This is a government body and is not regulated by the Financial Conduct Authority. HE appointed Target to administer these loans on its behalf. Target is a regulated financial business and was carrying out the regulated activity of debt administration in respect of Mrs W's loan – so it is responsible for responding to this complaint.

In June 2021, Mrs W phoned Target. She and her husband were getting divorced and planned to transfer the jointly owned property into Mrs W's sole name. Mrs W wanted to know what her options were for the help to buy loan. In particular, she wanted to know whether she could transfer the help to buy loan into her sole name if she repaid her main, first charge mortgage in full. She says Target told her she could do this, and she went ahead with her divorce on that basis.

The divorce settlement was agreed in court in December 2021. Mrs W says it was a condition of the divorce that her ex-husband be removed from both the first charge mortgage and the help to buy loan, and ownership of the property would be transferred to her alone.

In around March 2022 Mrs W repaid the first charge mortgage and instructed solicitors in order to complete the transfer of equity. But in May 2022, when she asked Target to remove her ex-husband from the help to buy loan, it said it was unable to do so. It also said that in repaying the first charge mortgage Mrs W had breached the terms of the help to buy loan, because the loan could only continue if a first charge mortgage existed.

Mrs W complained. Target accepted it had given Mrs W the wrong information about what would happen to the help to buy loan if she repaid the first charge mortgage. It consulted with HE, which eventually agreed to Mrs W's ex-husband being released from the help to buy loan and the loan continuing for 18 months, with a review of Mrs W's circumstances after 12 months. Target offered Mrs W £500 compensation and a payment of £73.40 to cover arrears on the loan.

Mrs W didn't accept that and referred her complaint to the Financial Ombudsman Service. She said she relied on what Target had told her in settling her divorce, and she would be in a

very different position had it not misinformed her. She felt she should receive significantly more compensation.

Our Investigator recommended that Target increase its offer of compensation to £1,000. She also noted that Target was no longer the administrator for the loan, so she couldn't make a recommendation about how it should manage the loan in future.

Target accepted that conclusion but Mrs W did not, so the complaint was referred 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've come to the same overall conclusion as our Investigator, for the same reasons.

There's no dispute that Target made a mistake when Mrs W called it and asked for information in June 2021. I've listened to that call; Mrs W asked specifically about the process for removing her ex-husband from the help to buy loan and whether she would still need a deed of postponement from the first charge lender if she repaid the first charge mortgage in full. Target wrongly confirmed that she could redeem the first charge mortgage and keep the help to buy loan.

It wasn't until May 2022, when Mrs W called Target for an update on its progress in processing the deed of release, that Target told her redemption of the first charge mortgage without also repaying the help to buy loan wasn't permitted under the terms of the help to buy loan agreement. This was the right information.

Clause 5 of the help to buy loan agreement sets out the "Redemption events" – that is, the circumstances in which the loan is to be repaid. They include:

"5.3 Upon repayment in full of the First Charge unless at the same time the Borrower takes out another First Charge [...]"

By May 2022, Mrs W and her ex-husband had agreed their divorce settlement and the first charge mortgage had been repaid in full. Mrs W has said she used all her savings to do that, on the basis that she could continue with the help to buy loan as Target had told her she could the year before. She has said things would have turned out very differently if Target had given her the right information in June 2021.

Mrs W has explained that she's a single parent with a long-term health condition and has been unable to work. She has said she has looked into getting a mortgage in her sole name but her circumstances mean she doesn't meet lenders' criteria. She has also said she is now struggling financially with the increased cost of living and having spent her savings.

I can see that the Mrs W has been left in a very difficult position, but I think her circumstances mean she would have had very limited options even if Target hadn't misinformed her – and she may ultimately have ended up needing to sell her property. I must also keep in mind that my jurisdiction in this complaint is limited, as I'll go on to explain, and this means that I can't make a direction here about how the loan should operate or be administered in future.

HE isn't a regulated financial business, so I have no jurisdiction over it. I can't therefore require it to take any particular action in respect of Mrs W's help to buy loan. Besides that, Target is no longer the administrator for this loan. HE appointed a new administrator in June 2023 so, since then, Target hasn't been responsible for managing or administering Mrs W's loan.

Mrs W has recently told us that HE has asked her to repay the help to buy loan, and it will contact her again in a few months' time for an update. She is understandably very worried about the situation – but I'm sorry to have to tell her that this isn't a matter I can decide or intervene in in this complaint. This complaint is about the previous administrator, Target. I can't decide a complaint about HE, and while I understand that Mrs W has now made a separate complaint about the new administrator, I can't require the new administrator to do anything in determining the outcome of this complaint about Target. If Mrs W is unhappy about the response to her complaint to the new administrator, she can ask us to look into that.

Putting things right

I must decide how this complaint about Target should fairly be resolved. I've taken careful account of everything both Mrs W and Target have said and provided, and in particular of the impact Target's mistake has had on Mrs W. Having done so, I consider the award of compensation recommended by our Investigator is fair and reasonable in all the circumstances.

Mrs W has said that she made numerous calls over many months to try to resolve the issue and find out what Target was doing about it. Target's records reflect that. Mrs W has spent a lot of time trying to sort this matter out, and has been caused significant distress and anxiety, having had to delay finalising her divorce and worrying about having to sell her home. Target didn't offer solutions and wasn't proactive in contacting Mrs W, despite her calls and emails explaining her situation.

In the circumstances, while I know Mrs W doesn't think it goes far enough, I consider a substantial award of £1,000 is fair and reasonable.

My final decision

My final decision is that Target Servicing Limited should pay Mrs W £1,000 compensation in total. It may deduct from that sum any compensation payments it has already made to Mrs W in respect of this complaint.

It should make payment within 28 days of the date we tell it Mrs W has accepted this decision, if she does accept it. If payment is not made within 28 days of the date we tell Target Mrs W has accepted this decision Target should also add simple annual interest of 8% running from the date of acceptance to date of payment.

Target may deduct income tax from the 8% interest element of my award, if applicable, but should tell Mrs W what it has deducted so she can reclaim the tax from HMRC if she is entitled to do so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 7 March 2024.

Janet Millington
Ombudsman