

The complaint

Mrs O complains about her second charge mortgage (secured loan) with Blemain Finance Limited trading as Together. She's unhappy that she still owes more than she borrowed and that the loan is not on track to be repaid by the end of the term.

What happened

Mrs O took out her loan in 2008, borrowing around £13,000 over a term of 25 years. Over the years the loan has fallen into arrears from time to time.

In 2022, Mrs O asked for a redemption figure, and Blemain told her she'd need to repay around £16,000 to clear the loan balance. Mrs O didn't think that was right and complained. She said she'd had the loan for 14 years and paid over £20,000, so she didn't understand how the balance could still be more than she'd borrowed in the first place.

Blemain said that periods of past arrears had led to fees and charges being added to the loan balance. And when Mrs O had missed payments, that meant the balance hadn't reduced as expected – and in turn that meant more interest had been charged. That extra interest also increased the balance, which meant further interest was applied. The result of the fees and charges, and the additional interest, meant that the overall balance was considerably higher than it ought to have been at this stage of the loan. As things stood, Mrs O was not on track to repay the loan by the end of the term.

Charges added to the loan included arrears and legal fees, including for a suspended possession order in 2014. There were also charges for buildings insurance because, Blemain said, Mrs O hadn't shown it that she'd insured the property herself.

Mrs O brought her complaint to us. She said the monthly payments were increasing and were more expensive than her main mortgage. She said she found the situation very stressful – which was made worse by being given contradictory information at different times. She didn't think it was fair that her loan balance had increased so much or that Blemain wouldn't agree to reduce it so she could pay it off.

Blemain said it had responded to a similar complaint in 2018. And it said that in any event it didn't agree to us looking at anything that had happened more than six years before Mrs O first complained.

Our investigator said that we couldn't consider anything covered in the 2018 final response, as that hadn't been referred to us within the six month time limit. He said that meant we could consider the fairness of the outstanding balance itself from 4 April 2018 onwards. He also said that we could consider whether Blemain had fairly communicated with Mrs O about her balance for the six years leading up to her complaint. He said Blemain had offered £500 compensation for failing to communicate with her about the outstanding balance, particularly before 2018, which he thought was a fair offer.

Mrs O didn't agree with the investigator and asked that an ombudsman review her complaint. I've already issued a jurisdiction decision, in which I said we can't consider

anything about the balance of the loan before 4 April 2018, though we can consider how Blemain communicated with Mrs O since April 2016. Having set that out, what follows is my decision on the parts of Mrs O's complaint we can consider.

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 said that I can't consider the fairness of anything that happened with Mrs O's loan balance before April 2018. But nevertheless it's important to understand what actually did happen, as context for the part of the complaint I can consider.

Mrs O was in arrears from 2011 to 2017. In 2013 Blemain took court action and obtained a suspended possession order. When payments are missed, that means the loan balance doesn't reduce as fast as it was planned to do. And, because the balance is higher, that means more interest is charged too – which also increases the balance. As a result, the monthly payments agreed at the start are no longer enough to clear the loan balance by the end of the term.

As part of the suspended possession order in 2013, Mrs O agreed to pay around £15 per month to clear the arrears. Blemain didn't ask Mrs O to pay any more than the regular monthly payment plus the extra amount set out in the court order. She largely stuck to that – with occasional missed payments – and the loan was out of arrears by 2017. But the effect of the period of arrears, and the additional interest that resulted, was that the balance was higher than it would otherwise have been.

By the time I can consider, from 2018 onwards, Mrs O had cleared the arrears. She was reducing the balance month by month, though the loan was not on track to be repaid in full by the end of the term.

In situations like that, I would expect a lender to keep an account under review, including checking whether the borrower could repay the loan by the end of the term or within a reasonable time, and if not whether there were any additional measures it could offer to assist in bringing things back on track.

Mrs O was in touch with Blemain on a few occasions after April 2018. In December 2018 she asked for a redemption statement. She said she was looking to re-mortgage and repay this loan, though in fact no re-mortgage went ahead. In August 2019 and again in February 2020, she called as she was having technical difficulties in making a payment. In April 2020, she asked for and was given a coronavirus payment deferral. In July 2020, as part of the review of the payment deferral, she again said she was considering re-mortgaging or selling the property and didn't anticipate having this loan for more than another year. In March 2022, she complained about the level of the balance, and agreed an increased payment arrangement to ensure it would be paid off by the end of the term in 2033.

As I say, I can't look at the fairness of what happened to the balance before April 2018, and it was in that period that the problems which led to the increased balance happened. But I'm satisfied that the balance reflects what Mrs O owes, taking into account the impact of the historic arrears and the additional interest that resulted.

And I'm satisfied that, in the particular circumstances of this case, I wouldn't expect Blemain to take further action. Mrs O does owe the sums she's being asked to pay. She's agreed an affordable payment arrangement that will result in the loan being cleared by the end of the term – so this is not a situation where there's no prospect of the loan being repaid within a

reasonable time compared to the original term, or where the borrower has no prospect of getting things back on track.

In those particular circumstances, there's nothing more I would currently expect Blemain to do. But it will need to keep things under review, and if at any point in the future the loan becomes unaffordable for Mrs O, it will need to consider what forbearance and assistance it can offer to help her at that time.

I've also looked at how Blemain communicated with Mrs O about the increased balance and the steps she would need to take to bring things back on track. It's agreed that prior to 2018 it didn't make things clear to Mrs O. But I can see that from 2018 it included clearer information on its annual statements, it set things out in its 2018 complaint response, and it has discussed the higher than expected balance and the reasons for it with Mrs O since. Blemain has offered compensation of £500 for the earlier shortcomings in its communication with Mrs O, and I'm satisfied that's a fair offer in all the circumstances.

My final decision

For the reasons I've given, my final decision is that Blemain Finance Limited trading as Together has made a fair and reasonable offer to settle this complaint, and should pay Mrs O £500 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs O to accept or reject my decision before 7 November 2023.

Simon Pugh
Ombudsman