

The complaint

Miss O complains that Paragon Bank PLC has made multiple mistakes with her buy-to-let mortgage, which have resulted in the balance being higher than it should be and her credit file being adversely affected.

What happened

Miss O has a buy-to-let interest-only mortgage with Paragon. It was subject to a fixed interest rate of 3.45% until 31 October 2022, after which date it was due to switch to Paragon's standard variable rate. The monthly payments on the fixed rate were £690.14.

The mortgage conditions required that the monthly payments be made by direct debit, and the payment due date was the end of each month.

In April 2022, Miss O arranged with Paragon to pay by standing order on the 7th of each month. She says Paragon charged her for this arrangement, and has since wrongly treated the mortgage as being in arrears.

In October 2022, Miss O made a lump sum payment of £5,000, and in December 2022 she made a lump sum payment of £1,500. She says these payments aren't reflected in the mortgage balance.

In October 2022 Miss O also applied for a new mortgage product, because the initial fixed interest rate was about to end. Paragon added a product fee to the mortgage, but in November 2022 Miss O cancelled the product switch. Paragon says it refunded the fee, but Miss O says it did not.

Miss O then chose a different product, with a higher product fee. Paragon added the fee to the mortgage. It says it then refunded the fee by mistake, so it re-applied the fee. Miss O says she has been charged twice for the fee.

Miss O complained. She said Paragon had acted fraudulently and overcharged her. Paragon sent her several responses, saying why it thought the mortgage balance was correct and it hadn't overcharged her.

Miss O referred her complaint to the Financial Ombudsman Service. Our Investigator concluded that she hadn't been overcharged. Miss O didn't accept that. She provided copies of some of her correspondence with Paragon and said her mortgage balance is still higher than it should be.

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 looked carefully at all of the reasons why Miss O thinks she has been overcharged, but having done so I've come to the same overall conclusion as our Investigator.

I'm satisfied that both of the lump sum payments Miss O made in October and December 2022 were credited to her Paragon mortgage. They are both reflected in the mortgage transaction history, which Paragon has sent to Miss O.

I'm also satisfied that the £2,421.58 product fee that was applied to Miss O's mortgage on 1 December 2022 for the new product she had chosen but then cancelled was refunded on 2 December 2022.

The product fee of £3,522.90 for the discounted rate product which Miss O chose instead and which was implemented on her mortgage was applied to the mortgage twice on 28 December 2022. It was also refunded once on the same day. I'm satisfied that the net effect of these transactions is that Miss O was only charged this product fee once. The contemporaneous emails between Paragon and Miss O show that Miss O agreed for the product fees to be added to the mortgage rather than paying them separately. All of the product fees and refunds are reflected in the mortgage transaction history.

The discounted rate product that Miss O went ahead with came with a product fee of 1.5% of the mortgage balance. The fee for that product was higher than the fee for the product Miss O had originally selected because the discount off Paragon's standard variable interest rate was higher. I haven't seen anything to show that Paragon agreed Miss O could pay a lower fee for this product.

By late 2022 Miss O had been paying the mortgage in arrears for some time because, although Paragon had agreed she could pay on the 7th of each month by standing order, it couldn't change the usual payment due date. As a result, Miss O was paying in arrears. While Paragon charged interest on the arrears it didn't charge her any additional fees, and I don't accept that it charged her for her request to pay by standing order on the 7th. The small extra payment she made in April 2022 was to clear the arrears at that time and was deducted from the mortgage balance; it wasn't a fee. The arrears balance increased later, but that was because Miss O paid less than the contractual monthly mortgage payment for some months. Paragon says it reports more than one month's arrears to credit reference agencies, and I don't find that unreasonable.

For these reasons, I find no basis on which I can fairly uphold this complaint.

My final decision

My final decision is that 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 10 May 2024.

Janet Millington
Ombudsman