

The complaint

Mr B complains that Target Servicing Limited delayed the redemption of his help to buy loan.

What happened

Mr B had a help to buy loan secured over his property. He decided to redeem the loan, notified Target and obtained a valuation. The valuation was sent to Target in February 2022; it was valid until the end of April 2022, but Target didn't provide Mr B with a redemption figure enabling him to repay his loan.

Help to buy loans are interest free for the first five years, but interest bearing after that. Mr B was due to start paying interest in July 2022 so he was keen to redeem before that. When he hadn't heard from Target he complained.

Target sent Mr B a final response on 13 July 2022. It said it had needed an EWS1 for his property as well as the valuation – it had received the EWS1 in April but because of an error it hadn't added the form to its file. It said that because the valuation had now expired Mr B would need to obtain a new valuation. It offered £50 compensation for the delay and said it would consider meeting any additional costs Mr B had been put to, subject to receiving evidence.

Mr B says he didn't receive this letter until he called Target again in August. Once he saw the letter he booked a new valuation in September and sent it to Target. Mr B finally redeemed his loan on 4 November 2022. He sent details of his additional expenditure to Target shortly afterwards. Target wrote to Mr B in January 2023 saying it hadn't yet been able to investigate matters.

Because Target didn't refund him, Mr B brought his complaint to us. He wasn't happy with the time taken or that Target hadn't paid his costs. And he thought its offer of compensation wasn't enough.

When we contacted Target about the complaint, it offered to increase the compensation from £50 to £250. But it didn't agree to pay the costs he had incurred, because it said Mr B had made his complaint to us too late.

Another ombudsman said that Mr B hadn't complained too late. Although he'd brought his complaint more than six months after the initial final response, sent on 13 July 2022, that final response wasn't the point from which time ran. In that final response, Target said it would consider the extra expense he'd been put to. But at that time he hadn't actually incurred those costs, so couldn't reclaim them from Target. This complaint stemmed from Target's failure to refund his costs in November 2022, and in corresponding with him about that Target had withdrawn its initial response. So while Mr B had brought his complaint to us more than six months after 13 July 2022, that wasn't the date from which time ran.

Our investigator said that Target should now refund Mr B's additional costs, and increase the compensation to £300. Mr B accepted that, but Target didn't. Target said it would pay £300 compensation, and it would cover the cost of the second valuation. But it said it wouldn't

refund the interest Mr B had incurred on his loan because Mr B had complained to us more than six months after its initial final response.

I thought there was more Target needed to do to put matters right, so I issued a provisional decision to allow the parties a chance for comment before I make a final decision.

My provisional decision

I said:

“Help to buy loans are not regulated, and the lender falls outside the jurisdiction of the Financial Ombudsman Service. But the lender has appointed Target, which is a regulated firm, to administer the loans on its behalf. In doing so, Target is carrying out a regulated activity. As a regulated debt administrator, Target is required to perform the lender’s duties and exercise the lender’s rights. And in doing so it must act fairly and reasonably.

Under the terms of his help to buy loan, Mr B was entitled to redeem the loan at any time. In order to do so, he had to apply to Target, obtain a valuation and submit the valuation to Target. The valuation determines the value of his property, and as a help to buy loan is a shared equity loan, that in turn determines the amount he has to pay to redeem.

Once he has carried out those steps Mr B is contractually entitled to redeem his loan. Or, to put it another way, the lender has a duty to allow him to do so. As the regulated administrator Target ought to have performed that duty and done so fairly and reasonably.

I’m satisfied it didn’t do so. It delayed for over a month in requesting an EWS1 – a document not needed under the contract terms and conditions – and then once it had received the EWS1 delayed in processing the redemption. Target says this was because of an administrative error, and I can see from its records that it failed to progress the valuation.

As a result, Mr B’s valuation expired – a valuation is only valid for three months, extendable to four. Rather than accepting that it was its fault that the loan hadn’t been redeemed in time and agreeing to allow Mr B to redeem on the existing valuation, Target told Mr B to obtain another valuation. It said it would consider reimbursing his costs – but, as I set out below, failed to do so.

Target should have allowed Mr B to redeem his loan at the time of his original request. In failing to do so, it didn’t act fairly and reasonably as the regulated debt administrator. It’s therefore responsible for the additional costs Mr B was put to as a result.

Target’s argument that it shouldn’t be required to pay Mr B’s additional costs strikes me as quite unreasonable. It’s said that it’s not fair for it to pay Mr B’s costs because he complained about them more than six months after it issued its final response in July 2022.

But Target’s July 2022 final response said that it would be willing to pay Mr B’s costs, subject to evidence. Mr B couldn’t have evidenced them at that point, because he hadn’t yet incurred them. Interest didn’t start to be chargeable on his help to buy loan until later that month, and until he was able to redeem he wouldn’t know how much interest he would have to pay until the loan was redeemed. And he didn’t commission

the second valuation until September. So it wasn't possible for Mr B to tell Target how much he was out of pocket by in July.

Mr B redeemed his loan on 4 November, and a week later sent all details of his extra costs to Target – as it had told him to do in July. Target told him in December and January that it was still investigating his complaint, but didn't make payment as it had said in July it would. It told him in the January letter that he could now bring his further complaint to us, so that's what Mr B did.

It's only because of Target's delays that Mr B incurred these additional costs at all. And it's only because of Target's further delays after he sent it details of the costs in November that he hasn't been refunded yet. Target told him it was investigating – though it doesn't seem to have actually done so – and when it said it hadn't yet reached a conclusion Mr B complained to us.

Mr B first requested redemption in February 2022 and provided the valuation in early March. It took Target until April to request an EWS1 and it then took no action until after the valuation had expired in May. Concerned at the delay Mr B complained, but it still wasn't until November that his loan was redeemed. Within a week of redemption he set out his losses to Target. Target took no action for eight weeks then referred Mr B to the Financial Ombudsman Service, and Mr B brought his complaint to us within four weeks of that letter.

Between Mr B's first redemption request and the referral of his complaint to us, there was almost a year. During that time, the only periods when it can fairly be said it was up to Mr B to take action were between the redemption on 4 November and his letter itemising his losses on 11 November, and between Target's referral to us on 6 January and Mr B's first contact with us on 5 February.

A process that – had Target acted fairly in the first place – would have taken around three months and not involved Mr B paying for a second survey or paying interest on his loan ended up taking a year before being referred to us because Target had still not resolved matters. Of that year almost eight months was unreasonable delay by Target, compared to the five weeks it took Mr B to act.

Mr B acted promptly, reasonably and as Target told him to act in its July 2022 and January 2023 letters. As the other ombudsman made clear, Mr B's complaint to us is not out of time. For Target to rely on its own delays as a justification for not making payment at all – even after we've made clear in an ombudsman's decision that his complaint is not out of time – is an argument entirely without merit and one that I'm surprised to find Target has made.

I'm satisfied that it's fair and reasonable to require Target to refund both the costs of the unnecessary second valuation, and the interest Mr B incurred from July 2022 – interest he wouldn't have had to pay had the redemption completed when it should have done.

I haven't seen the first valuation, so I don't know what it said. The second valuation said that Mr B's property was worth £495,000 – meaning his redemption sum was £143,550. It may be that the second valuation was the same as the first. If that's so, Mr B hasn't suffered a financial loss (other than the second valuation and interest) because of the delay. But if the value of his property increased between the February valuation and the September valuation, that means the redemption sum would also have increased. It wouldn't be fair and reasonable for Target to collect any additional redemption payment that resulted from its delay and failure to progress the

redemption in time. When it responds to this provisional decision, Target should provide a copy of the earlier valuation. If that shows a lower value than the second valuation that was used to set the redemption sum, I'll require Target to refund the difference in redemption sums to Mr B.

Finally, I note that Target initially offered £50 compensation, increased to £250 when Mr B complained to us. It's since accepted the investigator's recommendation of £300. But I don't think that goes far enough. It delayed Mr B's redemption for several months, leading him to have to pay extra interest on his loan that he shouldn't have had to pay. It failed to deal with his request for refund of his extra costs in November 2022 – even though it said it would do so in July 2022 – and now seeks to avoid refunding the interest at all based on a wholly spurious argument. This has led to further delay and further frustration to Mr B.

Mr B says that his professional hourly rate is £60 per hour, and he's spent time amounting to several days chasing Target and trying to get his redemption and complaint resolved. My award takes into account the time he's spent, and the resulting inconvenience. But I don't think it would be fair to set an award of compensation by reference to his professional rate – since he was redeeming the loan in his personal capacity, and I haven't seen any evidence of loss of earnings. I'm satisfied that an award of £650 is fair in all the circumstances."

Neither party made any further comments in response to my provisional decision.

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 also considered again what I said in my provisional decision, but as neither party made any further comment I see no reason to change my mind. Target didn't provide the earlier valuation, as I had directed in my provisional decision. So I will make a conditional award of compensation – requiring Target to pay a refund if there is loss.

My final decision

My final decision is that I uphold this complaint and direct Target Servicing Limited to pay Mr B:

- £738.56 overpaid interest, adding simple annual interest of 8% running from 4 November 2022 to date of refund;
- The difference between the redemption figure as it would have been based on the first valuation and the redemption figure as it was based on the second valuation, if higher, adding simple annual interest of 8% running from 4 November 2022 to date of refund;
- £650 compensation. If the compensation is not paid within 28 days of the date we notify Target that Mr B accepts my final decision, if he does so, it should add simple annual interest of 8% running from the date of my final decision to the date of refund.

Target may deduct income tax from the 8% interest element of my award (if applicable), as required by HMRC, but it should tell Mr B what it has deducted so he can reclaim the tax from HMRC if he's entitled to do so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 12 February 2024.

Simon Pugh
Ombudsman