

The complaint

Mr L complains about the balance of his Mortgages Plc interest only mortgage. He says the amount needed to redeem it was higher than the original amount he borrowed. Mr L says the possibility of the balance increasing was not explained to him when he took out the mortgage, he therefore feels it was mis-sold.

What happened

Mr L took out his interest only mortgage through an independent mortgage broker in October 2006. The amount borrowed was £65,944. In October 2023, Mr L sold his property and redeemed his mortgage. The settlement figure to redeem the mortgage was £70,300.

Mr L says he was not expecting the balance to increase from its initial amount and did not understand why it had.

Mr L also said he felt that the interest only mortgage was not explained to him adequately when it was sold. He says had it been explained better, he would have taken out a repayment mortgage.

Mr L complained to Mortgages Plc about the sale of his mortgage and the increased balance. Mortgages Plc said it had already looked into his complaint about the increased balance, in 2014 and in 2017 when they investigated and sent him final response letters on complaints he'd made about charges being added to his mortgage balance whilst the mortgage was in arrears.

Mortgages Plc said it could not look into the complaint about mis-sale, because it had been too long since the sale took place in 2006. It also said that the advice to take an interest only mortgage was the responsibility of Mr L's broker when it was sold. And it was therefore the broker who was responsible for whether this was right for Mr L and for explaining how this worked.

Mr L didn't accept this and referred the complaint to us. Our Investigator concluded that Mr L had complained too late about the increased balance and the sale of the mortgage, but that we could look into the administration of the mortgage since 2017, from when Mortgage Plc's last final response letter was sent. She didn't think that Mortgages Plc had incorrectly administered Mr L's mortgage for the period we could consider.

Mr L did not agree and asked for the case to be referred to an Ombudsman. So, it's was passed to me to consider.

I reviewed the case and issued a decision on our Service's jurisdiction. I set out why our rules meant that we couldn't consider Mr L's complaint about the sale of the mortgage or the arrears charges that were the cause of the increase in the balance as both of the complaint points were referred outside the time limits in our Services' rules.

However, I said that I could consider the points relating to the recent administration of Mr L's mortgage and Mortgages Plc's calculation of the final settlement amount. This decision focuses on those points 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.

Mr L says his balance is higher than it should be and his mortgage balance shouldn't have increased.

As I explained within my jurisdiction decision, I can't consider whether the charges added to the account prior to October 2017 were charged fairly or not. But I have reviewed the conduct of the account since it started in 2006, and I've seen no obvious errors by Mortgages Plc.

An interest only mortgage means that the balance should stay the same throughout the lifetime of the mortgage. It won't reduce like a repayment mortgage would. So, Mr L is correct in his assumption that the balance shouldn't increase. But this assumption is based on all payments being made and on time. I can see that over the years, Mr L has either made payments late, or missed payments on multiple occasions. The impact of this is that the missed payment of interest will be added to the mortgage balance, and this is why Mr L's mortgage balance was higher than the amount he originally borrowed when he came to redeem it.

We are an informal alternative to the courts. This means there are limits to how we can consider complaints. We aren't able to fully audit a mortgage account to see if everything has been calculated exactly as it should've. But, as I've said above, I've seen no errors that would make me think that Mortgage Plc has made a mistake when providing Mr L with a redemption figure.

I've also considered any charges that have been applied to Mr L's mortgage since October 2017. It seems there were only two charges applied during this time frame.

The first was £3 for a failed direct debit. It appears Mr L's direct debit was rejected the month this was charged. So I'm satisfied that Mortgage Plc applied this charge fairly.

The only other charge was a fee for the redemption of the mortgage of £134. Most lenders will typically make a charge for this. And we generally think it's fair for a lender to charge this. The fee charged was set out within the mortgage offer when Mr L first took the mortgage. Though I note the amount of the fee in the mortgage offer was actually higher than the amount Mortgages Plc actually charged. With all of this in mind, I'm satisfied that Mortgages Plc was entitled to charge this fee upon redemption of the mortgage.

In summary, I've seen no errors in the amount Mortgage Plc required from Mr L to redeem his mortgage in 2023. And the two fees charged for the time period I can consider were charged fairly. So, I'm not going to ask Mortgages Plc to take any further action.

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 Mr L to accept or

reject my decision before 14 June 2024.

Rob Deadman
Ombudsman