

The complaint

Ms B complains that Paratus AMC Limited trading as Foundation Home Loans (“FHL”) is asking her to repay an interest only mortgage of £160,000, taken out in 2006, plus additional money for mortgage arrears. Ms B challenges the debt, and complains about what FHL has done to try to recover the money.

What happened

This decision is only about FHL’s recent efforts to recover a mortgage debt arising out of original lending of £160,000 plus fees, made in 2006.

Ms B has also challenged the amount of the lending made to her in 2006, on a number of different grounds. Our service has explained to Ms B separately why we are not able to look into a complaint about that, so I will not discuss Ms B’s challenges to the amounts originally loaned further here.

Ms B said she didn’t appreciate either the tone or the content of FHL’s letters. She didn’t think it was appropriate for FHL to ask her to pay this money back now, or to threaten legal action, with associated costs. She also said that by reporting arrears on her credit file, FHL was damaging her chances of getting credit elsewhere.

FHL didn’t think it had done anything wrong. It said the term of Ms B’s original lending ended on 12 April 2020, and this was an interest only mortgage, so she had to repay the original sum borrowed on that date. FHL has shown us that Ms B has also stopped paying the interest on this lending, so she does now owe more.

FHL said it had been writing to Ms B about paying this money back. It was happy to consider her proposals for repayment, but if that wasn’t possible, then FHL said it would have to consider taking court action to recover the debt. That would also mean Ms B would incur additional costs, for the legal work involved.

FHL said it was sorry if Ms B had found its letters upsetting, but it said it’s required to be open and honest when it writes to her. So it said when legal action was a possibility, it had to set that out for her. And when the legal action might end up increasing her overall debt, because she’d be asked to pay legal costs too, then FHL had to tell her that as well.

FHL also said it is under an obligation to tell credit reference agencies about how Ms B is managing her debt. So when her debt was a month or more in arrears, FHL would report that.

Finally, FHL said that its senior management team wouldn’t meet with Ms B to discuss her concerns.

Our investigator didn’t think our service should uphold Ms B’s complaint about what has happened since 2019, when FHL started discussing this debt with Ms B and asking her to repay it. She said Ms B hadn’t had any discussions with FHL about how she would be

repaying the debt, and in those circumstances, FHL did have to explain to Ms B that it may take legal action.

Our investigator also said that FHL had shown us that Ms B hadn't paid any money towards her mortgage since August 2022. So she said FHL hadn't done anything wrong by telling the credit reference agencies that Ms B's mortgage wasn't up to date.

Our investigator said that FHL had responded to Ms B's concerns and her complaint. She didn't think it was unfair or unreasonable for FHL's senior management team to say it would not meet with Ms B to discuss those concerns.

Ms B replied to disagree. She said it was extraordinary for us to suggest that FHL should take legal proceedings, when we were aware that she'd raised her concerns with the police. She said she'd offered to pay interest on a mortgage of £100,000, but not on a debt of over £160,000, and FHL hadn't responded to that. And she said FHL had told her it could do nothing about entries on her credit file, but the credit reference agency said FHL was responsible for those entries.

As Ms B didn't accept our investigator's view, this case was passed to me for a final 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 reached the same overall conclusion on this complaint as our investigator.

FHL has shown our service that it started to ask Ms B about her plans for repayment of this debt in April 2019. She said then that she had no arrangements to repay the money, and FHL encouraged her to take advice on how she would cover the debt.

I can see that FHL has consistently asked Ms B to talk to it about how she intends to pay. But I can't see that Ms B has done that. I understand Ms B's position is that she doesn't owe as much as FHL claims (she has mentioned more than one alternative figure) and she has also said this matter is in the hands of the police.

However, FHL's position remains that Ms B's mortgage is now due for repayment. She hasn't paid the principal sum lent, and more recently has stopped paying interest on the debt. So I don't think it's unreasonable or unfair for FHL to tell Ms B that it is considering legal action against her, or that such action would be likely to increase her overall debt. I don't think FHL did anything wrong when it did that.

Ms B says she has offered to pay a smaller amount each month, if FHL recalculates the interest owed and only asks for payment on a debt of £100,000. Because FHL doesn't accept that Ms B's debt is only £100,000, it hasn't done that. I don't think that's unreasonable or unfair.

Because Ms B stopped making payments after August 2022, FHL is reporting this debt as in arrears to credit reference agencies. Ms B said FHL claimed not to be responsible for that, but it is. I don't think that's quite right.

FHL has said it is reporting this debt as in arrears. What it told Ms B was that it's not able to just stop doing that. It has explained that it's under an obligation to tell credit reference agencies the truth about how Ms B is managing her debt. FHL has accepted a legal obligation to provide those agencies with a full and honest picture of how its customers are

paying their debts to it, and in return, it gets a true picture of how its customers' other debts are being paid, to other companies. The obligation that FHL has accepted here, means it can't just refuse to report how Ms B's debt is being managed.

I do think that FHL has shown us that Ms B fell more than a month behind on interest payments on this debt, so I don't think it was unreasonable or unfair for FHL to tell credit reference agencies about this.

I don't think FHL has been unfair or unreasonable in how it has handled Ms B's outstanding debt. I know Ms B feels strongly about the issues here, so I understand that she will be disappointed by my decision, but I don't think this complaint should be upheld.

My final decision

I don't uphold this complaint.

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

Esther Absalom-Gough

Ombudsman