

## **The complaint**

Mr and Mrs W complain that Pepper Money Limited sent messages incorrectly saying they'd missed a mortgage payment and were in arrears. They say this caused them distress and anxiety and they were worried that Pepper would try to take possession of their house. Mr and Mrs W ask for compensation and assurance this won't happen again.

## **What happened**

Mr and Mrs W have a mortgage with Pepper. In mid-2023 they asked to change the due date for their monthly mortgage payments to a date near the end of the month, to fit in better with their income.

Pepper agreed. Mr and Mrs W made the payment on the due date by bank transfer. However, the payment wasn't applied to their account immediately and they received messages saying their payment was due and they were in arrears.

Pepper says payments received by bank transfer have to be applied manually. This usually takes 24 to 48 hours. However, there was a delay of nine days for Mr and Mrs W's first payment after they'd changed the due date while checks were made.

Pepper said it should not have reported a late payment to the credit reference agencies and arranged for this to be corrected. Pepper offered £50 compensation and later increased this to £200. Pepper says the late payment messages sent to Mr and Mrs W are automated. Pepper said Mr and Mrs W could pay by direct debit, by phone or by using a link in an SMS message to avoid this.

Our investigator said Pepper had done enough to put matters right. It had explained what had happened and how Mr and Mrs W could avoid this happening in future.

Mr and Mrs W didn't agree. They can't understand why their payments aren't applied immediately. They said the stress of receiving arrears notifications hasn't been addressed. They said the other payment methods suggested by Pepper aren't viable and making payment using a link could expose them to fraud.

## **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 and Mrs W prefer to make their monthly mortgage payments by bank transfer. Pepper has explained that it can take up to 48 hours for payments it receives by bank transfer to be applied to the mortgage account – which it does manually. Pepper applies payments with effect from the date of receipt, so Mr and Mrs W don't pay any additional interest due to this.

Pepper sends automated messages when a payment is overdue. These reminders are intended to help borrowers ensure they make their payment – not doing so before the end of the month could result in adverse data being recorded on their credit files. Pepper says it

can't guarantee that Mr and Mrs W won't receive further messages asking them to make payments if they continue to pay by bank transfer.

Mr and Mrs W find this unsatisfactory. While I understand their frustration, from what Pepper has said this isn't something it can easily change.

Pepper suggested other ways Mr and Mrs W could make payments. Mr and Mrs W say these aren't viable. They have concerns about making payments through an SMS link. Mr and Mrs W say they can't pay by direct debit, although they haven't said why this is, or why they can't or prefer not to pay by phone. Nonetheless, I can't fairly find that Pepper didn't offer Mr and Mrs W other ways to make payments which would avoid the problems they've complained about. I should say that Pepper hasn't said Mr and Mrs W can't make payments by bank transfer. It simply said that they might receive payment reminders during the time it takes for the payment to be applied to their account.

The first payment Mr and Mrs W made after changing their due date took nine days to be applied to their account. Mr and Mrs W received messages saying their payment was due and saying they were in arrears. As the payment was applied after the end of the calendar month a late payment was reported to the credit reference agencies. Pepper says it's arranged for this to be corrected.

Mr and Mrs W say this shouldn't happen as a bank transfer is immediate. The problem isn't with the money being transferred to Pepper. The issue is that payments by bank transfer have to be applied to their account manually. That first payment required additional checks and that caused a longer delay.

I can understand that Mr and Mrs W were upset to receive messages saying they'd missed their mortgage payment. Mr W was overseas and didn't get an immediate response to his emails about the payment, and this no doubt added to his worry. I think it's right that Pepper offered compensation for the upset this caused.

I'm sorry that Mr and Mrs W are worried about losing their home. But I need to be fair to both parties here. I don't think that Pepper suggested it's about to take possession action. It explained what happened in mid-2023. It told Mr and Mrs W that it can take up to 48 hours to apply a payment received by bank transfer and they might receive payment reminders during this time. So Mr and Mrs W are aware of what's happening with their payment and why they might receive payment reminders. Pepper offered £200 compensation for the upset caused. I think that's fair and reasonable in the circumstances.

### **My final decision**

My decision is that Pepper Money Limited should pay £200 (in total) to Mr and Mrs W, as it offered to do.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W and Mrs W to accept or reject my decision before 14 May 2024.

Ruth Stevenson  
**Ombudsman**