

## The complaint

Mrs C complains about that NRAM Limited unfairly refused to accept her overpayments on her mortgage account.

## What happened

Mrs C has had a buy to let mortgage with NRAM since 2006 on an interest-only basis with a 20-year term. Mrs C says that it's always been paid from an account in her husband's name who's not a party to the mortgage. They have been making small overpayments over the past 10 years and with interest rates rising they decided to pay it off completely with a series of overpayments. On 11 October 2022, an overpayment was made of £9,000.00 but returned 14 days later without explanation. On 26 October they phoned NRAM to be told that it couldn't accept payment from a third-party account although that was the account used throughout the lifetime of the mortgage.

On 9 November Mrs C paid £3,000.00 and this was returned on 9 November although other smaller payments were accepted. To solve the issue Mr and Mrs C made it a joint account which was finalised on 17 November 2022 and a payment made of £1,000 on 21 November 2022. This was returned on 21 December 2022. £3,000 was paid on 1 December 2022 and returned on 21 December 2022. Subsequent smaller sums were paid and not returned.

On 23 January 2023 Mrs C made a payment of £9,500.00 but this was returned on 8 February 2023. Subsequently some payments were accepted and not others.

Mrs C complained to NRAM. NRAM offered £100 for her distress and inconvenience whilst waiting on a call. Mrs C then brought the complaint to us in relation to her dealings with NRAM at this time in particular the fact that NRAM allowed her to make payments through her husband's account without a problem until October 2022 but then refused to accept payments; the length of time NRAM held onto payments before returning them; the difficulties she then had in making payments through a joint account. This complaint was considered by several investigators.

Our final investigator's view was that NRAM was entitled to refuse the overpayment in October as it came from a third party account: that the delay in returning the payment was reasonable as it waited for evidence of third party authority that didn't arrive; that Mrs C was added to her husband's account in November 2023 but NRAM wasn't told about this until December: NRAM was told that the account was in joint names from 21 December 2022 and that should have been the point that NRAM held onto the overpayments pending receipt of evidence to that effect. Our investigator therefore partially upheld the complaint and recommended the following redress: NRAM pay £250 for Mrs C's distress and inconvenience; that NRAM should rework the mortgage from 21 December 2022 as if all subsequent payments from this date were applied to the mortgage balance on the date they were received by NRAM. If any overpayments were being held by NRAM before, and past this date which hadn't yet been returned, they should be treated as if they were applied to the mortgage from 21 December 2022.

Mrs C disagreed saying in summary:

- The distress and inconvenience suggestion of £250 was derisory.
- The payment in October 2022 should have been accepted because of the history of the account.
- There was no contact for 14 days and NRAM couldn't have been waiting for 14 days for proof of ID as Mrs C knew nothing about it.
- They did send proof of ID to NRAM when requested but wouldn't for very good reasons send the passport in the post.
- Mrs C made payments of £9,000 and less to avoid the money laundering issue.
- Mrs C says when the joint account was confirmed by letter on 17 November she sent it to NRAM a couple of days after.
- Mrs C says that in a call with a manager on 21 December she was told that NRAM wouldn't accept payments from a joint account.
- If NRAM accepted these payments as it should have done, the mortgage would have finished earlier, and the delay has cost her a lot of money in interest.
- NRAM need to rework the mortgage back to 11 October and to make allowances for its delaying tactics and accept that the mortgage would have been finalised two months earlier than it was and to increase the distress and inconvenience payment.

NRAM said they agreed with our investigator's 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.

Mrs C had been making payments on her mortgage throughout the history of the account from her husband's account but then decided to make an overpayment of £9,000.00 from the same account which NRAM returned several days later. This unusual payment to the account had sparked a money laundering enquiry. That enquiry concluded that the payment was not coming from an authorised third party and the payment was refused. NRAM did this to comply with its money laundering policy and I can't fault it for doing that. NRAM seems to have assisted Mrs C in the past by accepting payments from this account, but this was a much more substantial and unusual payment that would reasonably have sparked such an enquiry.

So, I accept that NRAM was entitled to refuse the October overpayment as it came from the account of an unauthorised third party. The next question is the delay in informing Mrs C that it was refused. It seems that Mrs C knew by 26 October but not before. I appreciate that it would take some time to be processed through the system if there were money-laundering checks. But Mrs C knew before the end of October what the issue was that prevented NRAM accepting the overpayment which doesn't seem an overly long delay.

The question then is at what stage should NRAM have accepted these overpayments rather than refuse them. There were two routes that Mrs C could have gone. Firstly, she could obtain authorisation for payments to be made from the third-party account. According to Mrs C's letter to us of 30 March 2023, she was told this by NRAM on 26 October 2022. So, until that issue was sorted it wouldn't be reasonable to expect NRAM to accept payments. Despite that I note that Mrs C did make payments some of which were accepted, and some refused. But Mrs C didn't supply all the documentation that Mrs C required to complete that process.

Instead, Mrs C says that her and her husband decided that the best way to resolve the issue was to put herself on her husband's bank account to make it a joint account which finalised on the 17 November and from that date she made all payments from that account. If I look at Mrs C's complaint letter of 30 March 2023, she refers to opening the joint account and a

letter from a building society confirming it is open, but she doesn't refer to sending that letter to NRAM nor does she include a copy or evidence of a letter sending it to NRAM. NRAM says that it didn't receive such a letter so it's understandable that it might refuse payments if it wasn't notified that Mrs C was now using the joint account and I've seen no evidence that NRAM received notification that the joint account was opened before 21 December 2022. But at that stage at the end of December, it could have asked Mrs C for confirmation of the joint account at which point Mrs C could have produced, as she did later, the letter from the building society of 17 November 2022. NRAM continued to refuse overpayments after that phone call rather than look for confirmation of the joint account. That in my view was wrong.

As our investigator noted the information provided by both sides is detailed and extensive and our investigators have taken different views about this. For the reasons set out above I intend upholding this complaint because of NRAM's failure to request confirmation of the joint account in December 2022 and returning overpayments thereafter which it should have held on to pending receipt of confirmation of the joint account. My view on balance is that the 21 December is the crucial date. Mrs C was aware that there was a problem with the authorisation of payments to her mortgage account, decided to overcome this by making her husband's account joint and my view, on balance, is that this is the first date that NRAM would have reasonable been aware of that.

At that stage NRAM should have requested confirmation of the joint account which Mrs C had to hand but didn't which meant that the issue of the non-recognition of the overpayments continued longer than it should. This would have caused Mrs C distress and inconvenience. Having considered our guidelines, I believe that the £250 suggested by our investigator seems reasonable compensation for that.

NRAM's failure after 21 December 2022 meant Mrs C would have suffered a financial detriment in regard to the overpayments were treated thereafter. So, NRAM should also put Mrs C in the position she would have been had it looked for and got confirmation of the joint account at the end of December 2022. To achieve that aim NRAM should:

Rework the mortgage from 21 December 2022 as if all subsequent overpayments from this date were applied to the mortgage balance on the date they were received by NRAM. If any overpayments were being held by NRAM before, and past, this date, which hadn't yet been returned, they should be treated as if they were applied to the mortgage from 21 December 2022.

This is likely to mean Mrs C has overpaid interest on the mortgage. So, NRAM should work out the difference in the amount Mrs C did pay to the mortgage from 21 December 2022, and the amount she would've actually paid following the above recalculation and refund the difference to her.

NRAM should also make sure to treat the £5000 payments made on 10 April 2023, and 10 May 2023, which were removed then reapplied, are treated as being applied to the balance on the date they were first received.

NRAM should also apply 8% simple interest on any refund calculated from the date the mortgage was redeemed, or would have redeemed, whichever would've been sooner.

### **Putting things right**

NRAM Limited should:

1. Pay £250 compensation to Mrs C for her distress and inconvenience.

2. Rework the mortgage from 21 December 2022 as if all subsequent overpayments from this date were applied to the mortgage balance on the date they were received by NRAM. If any overpayments were being held by NRAM before, and past, this date, which hadn't yet been returned, they should be treated as if they were applied to the mortgage from 21 December 2022. This is likely to mean Mrs C has overpaid interest on the mortgage. So, NRAM should work out the difference in the amount Mrs C did pay to the mortgage from 21 December 2022, and the amount she would've actually paid following the above recalculation and refund the difference to her. NRAM should also make sure to treat the £5000 payments made on 10 April 2023, and 10 May 2023, which were removed then reapplied, are treated as being applied to the balance on the date they were first received.
3. Pay 8% simple interest on the above refund calculated from the date the mortgage was redeemed, or would have redeemed, whichever would've been sooner.
4. If NRAM is required by HMRC to deduct tax on any interest payment it's required to make, it should provide Mrs C with a certificate of tax deducted if requested by her to do so, which may allow her to reclaim that tax from HMRC if appropriate.

### **My final decision**

My decision is that I uphold this complaint and require NRAM Limited to make the payments referred to above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 6 September 2024.

Gerard McManus  
**Ombudsman**