

The complaint

Mr and Mrs W complain about the way that Intrum Mortgages UK Finance Limited trading as Mars Capital dealt with a request for a discounted payment offer.

What happened

In 2007, Mr and Mrs W took out a secured loan over a term of 25 years. The loan is now owned by Mars Capital. In 2016, Mr and Mrs W sold the property the loan was secured against – but the proceeds from the sale were not sufficient to repay the balance of the secured loan, leaving a shortfall balance to be repaid.

In January 2023, Mr and Mrs W spoke to Mars Capital and proposed to pay £6,000 in full and final settlement of the debt – what Mars Capital call a discounted payment offer (DPO). In February 2023, Mr and Mrs W returned a completed income and expenditure form. Mars Capital did not follow that up until April 2023. There were exchanges of emails between Mr and Mrs W in May 2023, but Mars Capital did not tell them the outcome of their request.

In November 2023, Mars Capital told us it had declined the request. It said the information Mr and Mrs W had provided about their income and expenditure showed they could afford to continue to make payments to the shortfall debt.

I issued a provisional decision proposing to uphold the complaint in part. Subject to any further submissions, my provisional findings, which form part of this decision, were:

Delays

The service provided by Mars Capital has been very poor. It took around nine months for it to make what should have been a straightforward decision. It did not acknowledge or reply to some emails from Mrs W.

Mr and Mrs W complained. But Mars Capital never formally responded to their complaint. And it was only when Mr and Mrs W referred their complaint to us that Mars Capital communicated its decline of the DPO.

So the delays in this case are around nine months. Mars Capital ought to have known how important this matter was to Mr and Mrs W – its own records show the impact that the shortfall debt has had on them for many years. The delay has caused Mr and Mrs W avoidable uncertainty, stress and inconvenience over around nine months. In view of that, I do not consider a payment of £200 is inadequate to reflect the distress and inconvenience it has caused to Mr and Mrs W.

Looking at the impact of the mistake and the length of time it took to resolve, and bearing in mind our guidelines, I consider an award of £500 would be fair in all the circumstances.

DPO

When Mars Capital considered Mr and Mrs W's request for a DPO it declined it. Mars Capital said that Mr and Mrs W hadn't declared any rental costs and that the bank statements

showed a surplus.

Mr and Mrs W said that the income and expenditure form was confusing and it didn't include a space to include rental payments – so they had to input that in the section for “ground rent/service charges”. They also said that the expenditure was based on the fact their landlord had increased their rent and that they intended to move.

Mr and Mrs W are correct that the income and expenditure form does not include any mention of rental costs. So it was unfair for Mars Capital to use that as a reason for declining the request. But the main reason for the decline was that the bank statements showed a surplus. Looking at the information we have, I don't consider that it was an unreasonable decision for Mars Capital to decide that Mr and Mrs W had surplus income and could therefore afford to maintain payments to the shortfall debt, even taking into account that the amount they had declared for expenditure was based on potential increases in the future.

I can understand why Mr and Mrs W are concerned their request wasn't looked at properly. They highlight that Mars Capital said there was some information missing, but then never clarified what that was. They also point out other mistakes it made, such as asking for a property valuation when it knew they were renting.

I agree that Mars Capital requested unnecessary information and how it might appear that it did not properly understand their circumstances. But I think that Mars Capital did have enough information to make a decision on what was affordable for Mr and Mrs W. And I've already explained that the decision it reached was reasonable based on the information it had.

Mars Capital did not respond. Mr and Mrs W responded to make a number of points, including:

- The complaint was never about financial compensation but rather to bring to our attention how Mars Capital treats its customers with no regulatory action taken against it.
- This complaint followed on from another about the same matter – so it had actually been going on for three years. And they are no closer to achieving a mutually satisfactory outcome. This had caused a massive amount of stress when they were also dealing with health problems and family issues.
- Mars Capital had recorded the debt as settled on their credit files. They would like to know whether Mars Capital can still recover the debt in view of that.

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'm afraid that I do not have the power to punish Mars Capital or to take any regulatory action against it. I can only tell Mars Capital what to do to resolve certain individual complaints. In saying that, under the FCA's rules Mars Capital should ensure that lessons learned from the decisions we issue should be applied to future complaint handling. The rules also say that if it identifies recurring or systemic problems it should take steps to identify and correct the root causes of those problems.

There is no reason why Mars Capital could not continue to recover the debt, even if it showed as settled on Mr and Mrs W's credit file. In my experience, that would not be viewed as adverse information by other lenders. But if Mr and Mrs W consider that the information on their credit file is causing them detriment, they would need to raise a new complaint about that.

I agree that Mars Capital has not treated Mr and Mrs W fairly. It should have been straightforward for them to get an answer about the DPO much more quickly than they did – and Mars Capital ought to communicate with them in a way that is clear fair and not misleading. If Mars Capital operates a policy in respect of DPOs then it should continue to apply that policy fairly to Mr and Mrs W if they make another request. It might be helpful if Mr and Mrs W make such a request if Mars Capital explain what its policy is so that Mr and Mrs W can decide whether it is worth continuing with the request or not.

There might be certain circumstances where it is fair for a lender to accept a reduced settlement. But there is nothing to compel it to do so where the borrowers can still afford to repay the debt. So while Mars Capital should consider any request from Mr and Mrs W fairly, it is entitled to ask Mr and Mrs W for information about their income and expenditure to make a decision about what they can afford to pay.

I understand that this complaint follows on from another. But I can only make an award for what happened in this case. And after reviewing everything, I consider £500 is a fair amount to reflect the impact of this matter on Mr and Mrs W.

My final decision

Intrum Mortgages UK Finance Limited trading as Mars Capital should pay Mr and Mrs W £500.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W and Mr W to accept or reject my decision before 5 November 2024.

Ken Rose
Ombudsman