

The complaint

Ms P complains that Tandem Home Loans Ltd (Tandem) didn't provide her with the financial support or help she requested when she advised it that she might struggle to pay her contractual monthly payments (CMP) while the sale of her property was progressing. She says Tandem's actions caused her to be in arrears and this has now impacted her credit file.

What happened

Ms P held a mortgage on her property and in October 2020 she applied to Tandem for a second charge repayment loan of £35,000 on a five year fixed rate of 9%. This was for home improvement and debt consolidation purposes.

Ms P made a CMP on 31 October 2023. She then contacted Tandem to change her monthly direct debit payment date but was unable to do so in advance of the next CMP. In December 2023 Ms P advised Tandem that she was unable to make her CMP, and that she was selling her property. She was advised to make a nominal payment to avoid a full month's arrears accruing in the hope she could sell the property before the arrears compounded.

In early December 2023 Ms P made a nominal payment and wanted to set up a payment plan so as not to build up possible future arrears. Tandem said it would consider her proposal following completion of an income and expenditure (I&E) assessment. But when the agent learnt of the impending property sale, he said it wasn't worth completing the assessment for such a brief payment period arrangement.

Mrs P called Tandem again at the end of December 2023 explaining that she wanted to set up a payment plan. She was unable to make her next CMP. But Tandem said it wouldn't consider setting up such an arrangement as it thought this would negatively impact her credit file and would take time to register with the credit reference agencies. It said that as Ms P was only two days in arrears – and it only reported such events once a month – it was possible the sale of the property might precede its reporting.

No further contact was made between the parties, but because of delays Ms P only sold the property around 11 April 2024.

Ms P then complained that the final settlement figure to redeem her mortgage was much higher than she expected.

She thought it had been miscalculated but also thought Tandem's actions in not providing her with the financial help she wanted – primarily not agreeing an arrangement to pay – caused the interest figure within the final redemption to be higher than necessary. She also thought her credit file had been negatively impacted by the reporting of mortgage arrears to the credit reference agencies.

Tandem said its records didn't show that Ms P has raised the question of financial difficulties with it around October 2023 or that she had asked it to suspend the interest on her mortgage account. It thought it had acted fairly based on the information Ms P had provided.

So Ms P brought her complaint to us where one of our investigators looked into the matter. He didn't think the complaint should be upheld making the following points in support of his assessment:

- There was no evidence that Tandem had been made aware of any financial difficulties until 1 December 2023. At that time Tandem advised Ms P to make a nominal payment to ensure the arrears were kept to under one full month and therefore wouldn't be reported to her credit file.
- He thought this action was reasonable – as was Tandem's request for an I&E assessment to be completed. But he thought that, as Ms P suggested the property would be sold soon, it wasn't unreasonable not to further discuss any repayment plan.
- The sale didn't complete for a further four months – but Ms P didn't advise Tandem about this delay or make any further contact with it. So he thought it wasn't unreasonable that Tandem didn't offer further support as it expected the sale to have completed a few days after Ms P's previous contact.
- He didn't think Tandem's actions – based on the information Ms P provided – were unreasonable. Nor did he think it was wrong to report the up to date position of the mortgage account to the credit reference agencies.

Ms P didn't agree. She said her complaint was principally about the level of interest she was charged when redeeming her mortgage – which was made worse by Tandem refusing her request to set up a payment plan around December 2023. She said the sale of her property was delayed due to factors beyond her control and the lack of forbearance during the delay meant she paid around £2,000 more than she expected upon redemption.

The investigator said he thought Tandem did provide support to Ms P and was prepared to consider a payment plan, but an I&E assessment wasn't completed. He thought its actions when it was told the completion of the sale was imminent were reasonable. He also said he'd seen no evidence to suggest that the final settlement figure had been incorrectly calculated.

Ms P thought Tandem's actions had been unfair and it should have provided her with some help at a difficult time for her. She didn't understand why her settlement figure was far higher than what she'd borrowed and thought she'd benefit from early redemption of the loan. She wanted the matter referred to an ombudsman – so it was passed to me to review.

My provisional decision

In my provisional decision I set out a different outcome. I said Tandem should pay Ms P £200 for the impact the matter had on her and should apply to amend her credit file in favour of an arrangement to pay instead of arrears. I made the following points in support of my findings:

- When Ms P contacted Tandem in late December 2023 she wanted to discuss a payment plan in respect of her outstanding arrears. But Tandem, upon learning that she was in the process of selling her property, said there was little point in completing an I&E assessment which would have led to consideration of a payment plan. But I thought Tandem should have gathered more information about the house sale to understand how soon it might complete.

- I didn't think it was fair for Tandem to make the decision it did without that further information because it needed to offer any financial support that would have helped Ms P during this time, and it hadn't gathered enough evidence to know how long the sale might take.
- So I thought about what Tandem could have done if Ms P had completed an I&E assessment some time on and around 6 December 2023. I concluded that most of the available concessions wouldn't have been appropriate, but a payment plan could have been discussed for the short term support Ms P required. There were no arrears on the account at that time so I couldn't see any reason why some kind of plan couldn't be agreed – which I thought Ms P would have readily accepted and tried to maintain.
- I thought Tandem ought to take steps to ensure Ms P's credit file reflected an arrangement to pay after 6 December 2023 – instead of showing arrears being recorded.
- But I found no evidence to support Ms P's assertion that the final settlement figure of her mortgage account wasn't correct.
- I also thought Tandem's actions added to Ms P's stress and concerns during this period, so I thought it should pay her £200 for the impact this had on her.

Responses to the provisional decision

Ms P wanted to know what further rights she may have after I issued my final decision but Tandem didn't agree. It said:

- Changing a direct debit payment date isn't a sign of financial distress and in this case Ms P decided to leave the date unchanged.
- It decided that a payment plan wasn't the best option for Ms P's credit file – to reduce the impact on the file and better facilitate the property sale. It thought Ms P accepted this situation.
- Ms P was also aware that a payment plan was more appropriate for a period of several months, so ought to have contacted Tandem and advised it of the delay to the house sale. It thought it was responsible for acting on Ms P's instructions and that Ms P was responsible for informing it of any changes to the situation. This would have included any delay to the house sale which might have made the payment plan option more appropriate.
- I had described Ms P's position as "*a short period of difficulties with a planned exit*", and it thought its actions provided Ms P with the best options considering her circumstances at that time. If Ms P had made it aware of the change in circumstances – namely the delayed house sale – it could have changed course and informed her the payment plan might now be her best option.

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.

And having reviewed the further submissions from both parties I see no reason to depart from my provisional findings. I'll set out my final reasons below.

In early December 2023 Ms P had reached a position where she was unable to make her monthly CMP. When she spoke with Tandem it first advised her to make a nominal payment that month to avoid a full CMP being recorded as arrears. On 6 December 2023 she made the payment by phone and then asked about setting up an arrangement to pay plan. Tandem said this could be considered but only after completion of an I&E assessment to understand her affordability. Ms P said she was able to complete the assessment, but she then explained *"I'm selling my house it's in the process of selling"*. The agent asked, *"when's that likely to be?"* and Ms P said, *"in a few weeks maybe?"*

At that point the agent said that such an exercise would be pointless as a payment plan would usually be for a period of three or four months and told Ms P to call back towards the end of the month. Ms P did that and again requested a payment plan but that time – after some consideration – Tandem said it wouldn't be in her best interests. Ms P had no further contact with Tandem, but her property sale didn't complete until April 2024.

So I've considered whether Tandem's actions were correct in deciding on the two occasions in December 2023 that she shouldn't complete an I&E assessment and therefore no payment plan could be considered.

The mortgage Code of Business (MCOB) regulation 13.3 says that *"a firm must, when dealing with any customer in payment difficulties, make reasonable efforts to reach an agreement with a customer over the method of repaying any payment shortfall or sale shortfall."* So when, on 6 December 2023, Ms P first expressed that she had payment difficulties Tandem had a duty of care to consider any concession or forbearance measures that it could offer that would assist Ms P. The reason Tandem didn't offer them was because it said Ms P's house sale was *"imminent"* and it thought it offered her the best course of action at the time and that Ms P accepted that.

But I'm not satisfied Tandem did act fairly because I think it made its decision without due consideration of where Ms P was in the property selling process. Ms P first told Tandem the house might be sold *"in a few weeks maybe?"* This would indicate she was unsure when it would complete and was also unaware exactly what point of the process she had reached. I don't think that's unreasonable for someone who clearly had little (recent) experience of selling a property, so I think at that point Tandem needed to explore in more detail the situation with the sale. I don't think it was reasonable to base its decision not to pursue the I&E assessment on the basis of Ms P's rather vague understanding of her position.

When Ms P spoke with Tandem on 6 December 2023 she didn't have any arrears but had expressed potential future financial difficulties, so I don't think it was fair for Tandem to unilaterally decide there was no point in completing an I&E assessment on the basis of the rather limited information it had about the house sale. It's not unusual for sales to take far longer than a seller might think and only by approaching third parties involved in a sale – such as estate agents and solicitors - would Tandem have understood the position things had got to.

In any case Tandem were prepared to complete an I&E assessment with Ms P on 6 December 2023 and, with the exception of its position on the house sale – which I've already said I don't think was conclusive enough, there would seem no other reason not to complete the assessment and consider what forbearance might be appropriate.

Had this happened I've thought carefully about what Tandem might have been able to do. I've considered the other concessions that might have been available, but I'm not persuaded any of them would have helped Ms P's situation. The one concession which would have

helped Ms P over the shorter term to avoid the problem of unarranged arrears that she was most concerned about, was to set up a payment plan. And if Tandem had completed an assessment and subsequently offered a payment plan based on affordability I see no reason why Ms P wouldn't have agreed to it as she'd already demonstrated, when making a nominal payment, that she would try to maintain any agreement that was in place.

Tandem says that a payment plan wouldn't be appropriate for a period of less than around three months and if Ms P had updated it about the delayed house sale it would have reconsidered its position. Of course its now with hindsight that we know the delay was for around four months or so – so a payment plan would have been appropriate – but I think if Tandem had taken steps to further investigate the house sale on 6 December 2023 I think it may have reached the same conclusion. But even if that wasn't the case and because the sale completion time was undefined, Ms P was at risk of suffering harm if she couldn't afford her mortgage payments and had no forbearance in place – so I think Tandem ought to have agreed a plan with her shortly after an I&E assessment should have been completed on 6 December 2023.

Putting things right

Tandem should take the appropriate steps to record on Ms P's credit file an arrangement to pay being agreed shortly after 6 December 2023 and for this to replace any arrears that were recorded on the account after that time.

In addition I note the stress and frustration this matter has caused Ms P. I've heard from the calls that she had with Tandem that it's actions had an impact on her at what was obviously a difficult time. I think it was this frustration that led to her deciding not to have any further contact with Tandem after 9 January 2024. So I think Tandem should pay £200 for impact of the distress and inconvenience this caused her.

The settlement figure

Part of Ms P's complaint was around her "shock" of the final redemption figure she was provided with. She thought it was higher than it ought to have been. I said in my provisional decision that I hadn't seen any evidence to suggest the settlement figure was incorrect especially as Ms P hadn't made CMP after the end of October 2023. Neither party has disputed the conclusion I reached so I'm not upholding this part of Ms P's complaint.

My final decision

For the reasons that I've given I uphold Ms P's complaint against Tandem Home Loans Ltd and it should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms P to accept or reject my decision before 4 December 2024.

Keith Lawrence
Ombudsman