

The complaint

Mr S' complaint is about the balance of the second charge mortgage he has with West One Secured Loans Limited. He is not happy with how the mortgage has been administered and is concerned that the balance is not decreasing in line with the term of the mortgage. In addition, Mr S has said that he is unhappy that the mortgage has moved on to a variable interest rate, as he doesn't recall this being part of the arrangement.

What happened

In 2018 Mr S took out a second charge mortgage with West One to consolidate an existing secured loan and an unsecured debt. The advice to do so was given by a broker that was independent of West One. He borrowed just under £46,000 over a term of 25 years on a repayment basis. There was a five-year fixed rate attached to the mortgage, after which the interest rate would revert to a rate of 6.5% above West One's standard variable rate (SVR).

In November 2023 West One sent Mr S an annual statement. This set out details of the mortgage, including confirmation that there were 20 years remaining on the term and that the then current balance was just over £43,600.

Mr S subsequently questioned the balance of the loan as it had only reduced by approximately £2,000 despite him having paid everything required over the five years of the term. As he was dissatisfied with the mortgage balance, West One dealt with the query as a complaint. It spoke to Mr S on 17 May 2024, in which conversation it explained how the mortgage worked, and the complaint was closed as West One believed Mr S was satisfied with the explanation that had been given.

Mr S was not satisfied with West One's response and asked us to look into the complaint. One of our Investigators considered the complaint, but he didn't recommend that it be upheld. Mr S didn't accept the Investigator's conclusions and asked that the complaint be considered by an Ombudsman.

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 W has raised concerns about not understanding the interest rate that would apply to the mortgage. I would firstly confirm that ensuring Mr S understood the mortgage, including how it worked and the interest rates that would be applied, was the responsibility of the mortgage broker that recommended the mortgage to him. In relation to West One's responsibility about this issue, it needed to set out key pieces of information in the illustration and mortgage offer. I have looked at the documentation provided to Mr S and I am satisfied that it provides the information that West One was required by the Regulator to give him. The mortgage offer clearly sets out that the interest rate will be fixed for five years and then revert to a variable rate, with a margin above West One's SVR.

Mr S has a 25-year repayment mortgage. Each payment goes to pay that month's interest charged on the mortgage and what is left of the payment is then used to reduce the capital balance. If the interest rate remains constant, the payment will also remain constant, but as each month passes, slightly less of the payment is needed to cover the interest and slightly more is paid off the capital balance. This means that very little of the capital is repaid in the first years of the mortgage and it is, generally, the last third of the mortgage term in which the majority of the capital is repaid. As such, given how far through the term the mortgage is, the relatively small amount of reduction in the balance does not indicate that West One has administered the mortgage incorrectly or done something wrong.

When interest rates rise, the monthly payment is increased. However, if the interest rate increases in the middle of a month, it will affect the amount of capital that will be paid off the mortgage until the monthly payment is adjusted. This means that when the mortgage is on a variable rate, the lender can't know exactly what will be paid off the capital in any particular month. So while Mr S is unhappy that West One won't provide him with a schedule of repayments for the remainder of the term, that's not something it can do.

Overall, it appears that West One has administered Mr S' mortgage in line with the terms and conditions, as it should.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr S to accept or reject my decision before 15 January 2025.

Derry Baxter
Ombudsman