

## **The complaint**

Mr E's complaint relates to a Help-to-Buy loan that was administered on behalf of the lender by Target Servicing Limited. He is unhappy with what has happened since he asked to be allowed to repay the loan in July 2021.

Target was the loan administrator from its inception until July 2023, when it was transferred to a different administrator.

## **What happened**

The Help-to-Buy (HTB) scheme was a government scheme in place to support home ownership. In addition to the usual mortgage from a regular lender, a borrower took a shared equity loan funded by the government to reduce the amount of cash deposit that would be otherwise required.

HTB shared equity loans are secured by way of a second charge over the property, ranking behind the main mortgage. Mr E's property was in England and so the HTB scheme he applied for was for a shared equity loan with Homes England, which was formally known as the Homes and Communities Agency. Homes England isn't regulated by the Financial Conduct Authority (FCA) but it appointed Target to administer the loan on its behalf. Target is regulated by the FCA. If the loan is outstanding for more than five years, interest becomes payable after that point.

Mr E borrowed 40% of the value of his property under the HTB in 2016. The property was valued at £315,000 at that time.

On 9 July 2021 Mr E contacted Target. He said that he wanted to obtain a valuation of his property with a view to staircasing his loan. He gave details of the surveyor he had found, which he understood had experience of completing HTB valuations. Mr E confirmed that the surveyor had availability the following Friday and asked for agreement for him instructing the valuation.

On 14 July 2021 Target emailed Mr E acknowledged his recent enquiry and asked him to call its customer services team. It provided the telephone number he needed to use. Mr E didn't call Target as requested.

Mr E arranged for the valuation with the firm of surveyors he had detailed in his email of 9 July 2021. The valuation was completed on 16 July 2021. The property was valued at £190,000. The surveyors completed their report on 23 July 2021 and Mr E sent it to Target on 27 July 2021. He called Target the following day. He was told that he needed to provide a completed redemption form with details of his solicitors and pay the administration fee before a redemption quote could be completed.

On 12 August 2021 Mr E emailed Target with a completed redemption form, now asking to redeem the HTB in full. He said that he would telephone it that day to pay the administration fee, which he did.

Target tried calling Mr E that day, but received no answer, so it emailed him. It listed some further information it needed to be able to progress his request – a redemption statement from his mortgage lender and a EWS1 form due to his property being in a building with cladding. Mr E called Target the same day and confirmed that he could not get an EWS1 form but said he could provide a façade report. He was asked to provide confirmation from his freeholder or building management explaining why there was no EWS1. Target said that once this was provided, it would refer the matter to a specialist department to have an expert review the request.

Mr E provided the documents requested on 12 August 2021 and Target confirmed on 17 August 2021 his redemption enquiry had been passed to a specialist department for consideration. It confirmed the same thing again around six weeks later.

Mr E chased for a response to his redemption request periodically throughout the remainder of 2021, 2022. On 2 May 2023 Mr E complained to Target about its administration of his request to repay his HTB loan. Target acknowledged the complaint, but it did not provide Mr E with a response. They did however provide referral rights to our service.

Mr E asked this Service to consider the complaint in March 2024. When we informed Target of this, it consented to us considering the complaint, despite it having been referred more than six months since they gave referral rights. They also said that they considered the delays after the redemption was referred to Homes England and the poor experience Mr E had, meant that it would look to uphold the complaint.

Subsequently, Target suggested that our jurisdiction to consider Mr E's complaint ended when it referred his redemption request to Homes England.

The administrator of the mortgage changed to Lenvi in July 2023 still without the redemption process having been completed.

During our investigation into the complaint Mr E provided evidence that he had access to around £77,000 in the autumn of 2021. In addition, Mr E provided a copy of another valuation completed in May 2024 for the redemption process, which valued the property at £215,000.

Mr E brought the complaint to the Financial Ombudsman Service as he wasn't happy with how things were progressing.

Two of our Investigators considered the complaint. We confirmed that the entire period that Target was administering the loan on behalf of Homes England fell within our jurisdiction in light of it giving its consent for us to consider the complaint. Ultimately, in relation to the merits of the complaint, we considered that Mr E's loss was crystallised when he again applied to partially redeem the HTB in April 2024 and a new and acceptable valuation was completed.

The Investigator concluded that Mr E had suffered a loss due to the delay, as in order to redeem the HTB, at that time he would have to pay £10,000 more than he would have had to in 2021. As there were two separate businesses administering the HTB on behalf of the lender at different times, the Investigator concluded that they should each pay a proportion (based on the duration of their administration between July 2021 and May 2024) of the £10,000 loss. It was recommended that Target pay Mr E a sum of £5,500. In addition, as reasonably the HTB could have been redeemed in September 2021, all interest charged on the mortgage between then and when Target ceased administering the account should be refunded with simple interest of 8% added from the date of each payment to the date of settlement.

Furthermore, the Investigators agreed with Target, that the service Mr E had received was poor as the redemption process started in July 2021 and Mr E had not received a response when the HTB was transferred to a new administrator two years later. In addition, it was concluded that although Mr E had not followed the correct process initially, Target should have responded to Mr E's enquiry of 9 July 2021 earlier and when he used a surveyor for the valuation that was not suitably experienced, Target should have told Mr E this when it received the valuation in August 2021, so that he could have rectified the matter. We recommended that Target pay Mr E £500 compensation for the poor service he received.

Target didn't accept the Investigators' conclusions and asked that the complaint be passed to an Ombudsman. They said that they thought that as the HTB was not a regulated mortgage it was not appropriate for us to have commented on when it should have been redeemed, given Mr E had breached the redemption process and had failed to provide a valid valuation report.

Target said they accepted that the complaint is within our jurisdiction, but only until 17 August 2021, which is when they checked the documents submitted by Mr E and passed them to Homes England. They said as required under their contract with Homes England, they referred information about the redemption to Homes England as the circumstances of that matter were outside of the terms of Target's appointment as mortgage administrator. So they believe that anything from 17 August 2021 until the redemption request of 9 February 2024 falls outside of our service's jurisdiction.

Target said the issues regarding the redemption had been dealt with directly between Homes England's legal team and Mr E's solicitors. Target said that during these communications Mr E had been given the option to have a valid valuation completed, but he had not responded, and so Homes England had closed the redemption process in February 2024.

As Target didn't agree with the investigator, the complaint has been passed to me to decide.

### **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.

As mentioned above, Homes England isn't regulated but Target is regulated by the FCA.

The rules which set out the complaints our service can consider are found in the Dispute Resolution (DISP) section of the FCA's handbook. DISP 2.3 says that our service can consider a complaint if it relates to an act or omission by a firm carrying on a regulated activity.

The Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 sets out the list of regulated activities referred to in DISP. Among the regulated activities listed is debt administration and debt collection.

Target consented to our service investigating the complaint as they hadn't issued a final response letter to Mr E. But they said they were only responsible for the complaint up until 17 August 2021. And the reason for this was because Mr E's redemption request was impacted by a series of novel issues which they had to refer to Homes England. So Target were unable to continue with the regulated activity of the administration of the redemption request – so after 17 August 2021, they said it was outside of our service's jurisdiction.

Having considered the activities that Target was carrying out in relation to Mr E's agreement,

I'm satisfied that the event complained about is an activity that forms part of administering the loan or collecting payments, and therefore is a matter we can consider against target. I will therefore consider this complaint up until Mr E's account was transferred to Lenvi in July 2023.

I've given careful consideration to all the submissions made by both parties, but I won't address each and every point that has been raised. I'll focus on the matters that I consider most relevant to how I've reached a fair outcome – in keeping with the informal nature of our service.

Although I've read and considered the whole file, I'll keep my comments to what I think is relevant. If I don't comment on any specific point, it's not because I've not considered it but because I don't think I need to comment on it in order to reach the right outcome.

Having considered everything provided by both parties, I agree with the outcome that has been reached by the investigator. I'll explain why.

Mr E contacted Target on 9 July 2021 and said he wanted to obtain a valuation of his property with a view to staircasing his loan. He knew which surveyor he wanted to use and he asked agreement from Target to continue.

Target said they emailed Mr E on 14 July 2021 asking him to contact them so they could answer his questions but Mr E said he didn't get this email or he would have contacted them. Not having heard anything, Mr E proceeded to obtain a valuation on his property without getting agreement from Target.

The terms and conditions of Mr E's HTB says:

## **7 Redemption before transfer**

7.1 If the Borrower wishes to redeem this mortgage ... the following procedure shall apply:

7.1.1 The Borrower shall apply in writing to the Lender.

7.1.2 Within fourteen (14) days of service of the notice as specified in 7.1.1 the Borrower shall apply (at its own cost) to the Valuer (whose decision shall be final) to determine the Market Value as at the date of receipt of such application and within five working days of receipt of such determination by the Valuer the Borrower shall serve a Valuation Notice on the Lender.

7.1.3 At any time within three (3) months (or four (4) months if extended by the Valuer) of service of the Valuation Notice the Borrower may pay an amount equal to the Repayment Sum together with any reasonable costs and expenses incurred by the Lender pursuant to this Mortgage and together with any other sums payable and outstanding under this Mortgage.

Based on the terms and conditions above, it's evident that Mr E didn't satisfy these terms and conditions as he didn't get agreement from Target prior to arranging the valuation on the property.

Mr E submitted this valuation to Target on 27 July 2021 and started the redemption process, but Target never told him that they didn't approve the valuation that had been submitted. So I don't think it's fair that Target focus on the fact that Mr E failed to comply with the terms and conditions of the redemption process when they didn't make it clear sooner whether they approved the valuation or not.

Had they done so, Mr E would have arranged a valuation with someone that Target accepted and it's highly likely that he would have redeemed the loan within a few months of his request. His loan still hasn't been redeemed and this can't be deemed as acceptable.

Mr E arranged for a further valuation on the property, by a valuer who Homes England has now approved, and I'm satisfied that this valuation complies with the terms and conditions of Mr E's HTB agreement.

The fact that Mr E has now obtained a new valid valuation, crystallises his losses for the purpose of this assessment so Target will need to put this right.

The valuation that Mr E obtained in 2021 resulted in a valuation of £190,000. The one he obtained in 2024 had a valuation of £215,000.

As I've already mentioned, the valuation from 2021 didn't comply with the terms and conditions and I note that Target have questioned the qualifications of the surveyor (Associate of the Royal Institution of Chartered Surveyors rather than Member of the Royal Institution of Chartered Surveyors). But this is still a valuation and I need to rely on this evidence when thinking about how to put things right for Mr E. Target's argument is that it's not a valid valuation but whether it is or it isn't, that's a failure on Target's part not to notify Mr E of this – so this is something I am still going to take into consideration.

Mr E borrowed 40% of the value of his property under the HTB in 2016. Had he been allowed to redeem the mortgage using the 2021 valuation, he would have had to pay £76,000 to redeem the loan. If we based this on the 2024 valuation, this equates to £86,000 – so a difference of £10,000.

Target have said that they needed to submit everything to Homes England for consideration and that they had what they needed by 17 August 2021, even though they didn't tell Mr E that the valuation he had obtained wasn't acceptable. Mr E first made contact with Target on 9 July 2021 so as I said, had Target told Mr E that the valuation he obtained wasn't acceptable, I'm persuaded he could have arranged another one within at least one month and by 17 August 2021.

As Target are no longer the administrator, that means that this complaint spans over a period where there are two administrators responsible – Target and Lenvi. So I think it's only reasonable that Target are responsible for some of what needs to happen to put things right. Lenvi took over the administration in July 2023 so it's been around 40 months since the redemption request could have been processed. Target have been the administrator for longer than Lenvi so I think they should be responsible for 55% of the £10,000 which is £5,500.

Mr E also started to pay interest on his loan and this is something he wouldn't have done had the redemption gone through when it should have done, on the basis that Target communicated as they should have done regarding the valuation. So I think that Target should also refund the interest that Mr E has paid on his loan from September 2021 until July 2023.

This has caused Mr E a great deal of frustration, distress and inconvenience. I have seen evidence that he had the funds available to repay the help to buy loan when he wanted to do it. And I acknowledge that his reasons for how he was going to do this have changed over the years. He initially said he wanted to staircase and then he said he wanted to redeem the loan in full. I also note that at one stage he said he had a cash buyer and he was exploring mortgage funding. I don't think it's surprising that his reasons for how he was going to redeem the loan have changed over the years so while I've thought about that, I don't think it

changes anything for me. Like I have said, I have seen evidence that he had the funds to repay the loan and this process should not have taken this long to resolve – something that still hasn't been done to date. I therefore think that Target should pay Mr E £500 in recognition of this.

### **My final decision**

For the reasons given above, I uphold this complaint and direct Target Servicing Limited to:

- Pay Mr E £5,500 for the difference in the two valuations.
- Refund the interest that Mr E has paid on the loan from September 2021 until July 2023 along with 8%\* simple interest on each payment from the date of payment until the date of settlement.
- Pay Mr E £500 for the distress and inconvenience he has been caused.

\*If Target Servicing Limited considers that it's required by HM Revenue & Customs (HMRC) to take off income tax from the interest, it should tell Mr E how much it's taken off. It should also give Mr E a certificate showing this if he asks for one, so he can reclaim the tax from HMRC, if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 25 April 2025.

Maria Drury  
**Ombudsman**