

The complaint

This complaint is about a mortgage Mr and Mrs M hold with Aldermore Bank Plc. The essence of the complaint is that Aldermore:

- didn't capitalise arrears as early as Mr and Mrs M believe it should have done; and
- didn't call them up to discuss the subject after saying it would do.

What happened

The above summary is in my own words. The basic background to this complaint is well known to both parties so I won't repeat the details here. Instead I'll focus on giving the reasons for my decision, rounding any figures to avoid the risk of identification by including information that is overly specific. If I don't mention something, it won't be because I've ignored it. It'll be because I didn't think it was material to the outcome of the complaint.

Aldermore's decision not to capitalise the arrears when Mr and Mrs M asked it to was addressed in a final response issued in September 2024. Briefly, Aldermore said that Mr and Mrs M hadn't met its requirement to pay the contractual payment, plus an additional amount towards the arrears by arrangement, for a minimum number of consecutive months. But it said it might reconsider in future, subject to a further discussion.

The second element of the complaint, in effect that Aldermore didn't follow up with the further discussion outlined in the above letter, was addressed in a final response issued in October 2024. It apologised for not pro-actively contacting Mr and Mrs M, and offered £100 for their time and trouble.

On the latter issue, our investigator thought Aldermore's offer of £100 was fair. Whilst accepting it was annoying, she didn't think the lack of contact delayed or otherwise impacted on Aldermore's consideration of Mr and Mrs M's desire for their arrears to be capitalised. She concluded that this was, ultimately down to Mr and Mrs M not keeping to the payment arrangement in full for the required number of consecutive months.

Mr and Mrs M asked for the case to be reviewed by an ombudsman.

What I've decided – and why

I'll start with some general observations. We're not the regulator of financial businesses, and we don't "police" their internal processes or how they operate generally. That's the job of the Financial Conduct Authority (FCA). We deal with individual disputes between businesses and their customers. In doing that, we don't replicate the work of the courts, nor in any way interfere with that work.

We're impartial, and we don't take either side's instructions on how we investigate a complaint. We conduct our investigations and reach our conclusions without interference from anyone else. But in doing so, we have to work within the rules of the ombudsman service.

Where the evidence is incomplete and/or contradictory, I'm required to reach my decision on the basis of what I consider is most likely to have happened, on the balance of probabilities. That's broadly the same test used by the courts in civil cases.

It's for us to assess the reliability of evidence, from both sides, and decide how much weight should be attached to it. When doing that, we don't just consider individual pieces of evidence in isolation. We consider everything together to form a broader opinion on the whole picture. It's also for us to decide when we have enough evidence to reach a fair conclusion.

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so, I've reached the following conclusions.

Aldermore didn't capitalise arrears as early as Mr and Mrs M believe it should have done

Capitalisation of arrears is one of a number of forbearance options that a lender might consider offering a borrower in financial hardship. But it's not something lenders are required to agree to; capitalisation increases the mortgage account balance and the contractual monthly payment (CMP) and lenders should not commit borrowers to higher payments that might not be affordable. So it's an onerous concession, and lenders' policies typically reflect that.

In Mr and Mrs M's case Aldermore had already capitalised arrears, as recently as October 2023, following which Mr and Mrs M fell immediately back into arrears. So I can understand why Aldermore was reluctant to consider a second request, which was made in April 2024, so soon after having already agreed to what, as I have explained, is an onerous concession.

Aldermore's initial requirement for the April 2024 request was that Mr and Mrs M must maintain the existing CMP plus £50 in full and on time for three consecutive months in order to be eligible for a second capitalisation. That's actually quite lenient; it's not uncommon across the industry for lenders to require up to twelve consecutive payments in full. Mr and Mrs M maintain that they met Aldermore's requirements, but their account statement doesn't support that.

In May 2024, Mr and Mrs M paid £800, instead of a CMP of around £1,470 plus £50. Aldermore reset the arrangement to run for six months from June 2024. Mr and Mrs M asked again in September 2024, but this was refused, prompting the complaint. Mr and Mrs M maintained the latest arrangement for five months, but in November 2024, the sixth month, they only paid £1,274.

Overall, I can't fairly find that Aldermore should have been willing to capitalise the arrears when Mr and Mrs M asked it to during 2024. I understand that more recently, Aldermore has indicated its willingness to reconsider capitalising arrears, again subject to Mr and Mrs M making consecutive full payments plus £50 between December 2024 and February 2025 inclusive.

However, that's not part of what I'm considering here; it post-dates both of the final responses from Aldermore. I mention it merely for completeness and context. In the event Mr and Mrs M wanted to complain about that most recent event, they'd need to begin a separate new complaint to Aldermore, and then refer it to us if not satisfied with the outcome.

Aldermore didn't contact Mr and Mrs M to discuss capitalisation

As far as the communication shortcoming is concerned, I agree with the Investigator that it didn't materially affect anything; as demonstrated above, Mr and Mrs M didn't meet Aldermore's qualifying criteria during the period under consideration. The lack of contact was inconvenient and irksome, but in my view £100 is a proportionate response.

My final decision

My final decision is that this complaint should be resolved by Aldermore Bank Plc, if it has not already done so, paying Mr and Mrs M £100. I make no other order or award.

My final decision concludes this service's consideration of this complaint, which means I'll not be engaging in any further discussion of the merits of it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs M to accept or reject my decision before 26 May 2025.

Jeff Parrington

Ombudsman