

The complaint

Mr and Mrs C's complaint is about a second charge mortgage they have with UK Mortgage Lending Ltd trading as Pepper Money (UKML). They don't consider that UKML has done enough to support them since a fixed interest rate product ended. They have said that UKML knows that they are in individual voluntary arrangements (IVAs), and they could not afford the new monthly payments, so they believe they should have been offered a longer-term arrangement that will get them to the end of their IVAs.

What happened

Mr and Mrs C took out their mortgage in 2017 with a different lender. It was subsequently transferred to UKML. They borrowed £63,000 over a term of 15 years. The interest rate associated with the mortgage was fixed for the first five years and when that expired, the mortgage would be charged on a variable rate of interest.

In August 2022 Mr and Mrs C informed UKML that they were entering into an IVA and shortly thereafter provided a copy of the income and expenditure analysis they had completed for the administrator of the IVA. They asked that the interest rate on the mortgage be reduced, but they declined to provide UKML with some information it requested and so it declined the request. When this happened, Mr and Mrs C provided some further information, following which it was agreed that the interest rate would be reduced from 9.7% to 4.7% per annum for three months. This arrangement was extended in January 2023 for a further six months – ending at the end of June 2023.

In June 2023 Mr and Mrs C again contacted UKML about an interest rate reduction. They wanted the interest rate to be reduced to 0.5% due to the cost of living. UKML asked for some more information, but it was not received. As such, UKML declined to reduce the interest rate – it wrote to Mr and Mrs C on 3 July 2023 to confirm this.

However, Mr and Mrs C did subsequently provide the information – the request was declined again as there was no indication that Mr and Mrs C's circumstances were likely to improve going forward, such that a short-term forbearance measure would address the underlying problem. In addition, UKML was not persuaded that Mr and Mrs C were prioritising their mortgage over their unsecured debts, as it considered they should be.

Between August 2023 and April 2024 only three payments were made to Mr and Mrs C's mortgage, and all were for significantly less than the contractual payment. Mr and Mrs C entered into a payment arrangement in May 2024, that required them to pay the contractual payment plus £100. They only made one payment under that arrangement. No further payments were made up to the end of 2024 where the records we have stop.

Several complaints were made to UKML from June 2023 onward and UKML issued final response letters each time.

On 18 July 2023 UKML responded to a complaint about Mr and Mrs C having not received a response to emails in mid-May 2023 regarding the income and expenditure information they had provided. UKML acknowledged the emails were not reviewed for more than a week after

they were received, and then the question of whether the request for an interest rate reduction was referred to management for consideration. While the decision was made on 30 June 2023, Mr and Mrs C had chased again before the decision was communicated with them, which was not until they chased it by telephone on 6 July 2023. The complaint was upheld as UKML concluded it had not provided the level of service it should have. It was confirmed that Mr and Mrs C had rejected its £50 offer of compensation. UKML said that it would be contacting Mr and Ms C as soon as possible to arrange for a further discussion about the interest rate situation.

UKML responded to the complaint about the interest rate reduction being declined and some service issues in a letter of 12 October 2023. The complaint was upheld as UKML said the service it had provided was not what it should have been and the request for the interest rate being reduced had not been reviewed correctly. UKML confirmed that the information Mr and Mrs C provided about their change in circumstances had not been reviewed before the request had been declined. UKML also admitted that when it had said later in July 2023 it would get in contact with Mr and Mrs C again to discuss the situation, it didn't do that.

In relation to the time it took to get through to it by telephone to make a payment, UKML said that it had been experiencing higher volumes of calls, which had impacted the amount of time taken to answer calls. As for the text links for making payments, UKML confirmed that this was for the amount of the contractual payment, but it said that there were other ways for Mr and Mrs C to have made payments of a lesser amount if they had wanted to do so. UKML made a compensation payment of £200 for the upset and inconvenience its errors had caused – the money was paid to reduce the arrears on the mortgage, but Mr and Mrs C were given the option to have it paid into their bank account.

UKML responded to a further complaint in a letter of 19 December 2023. It upheld the aspect of the complaint about a failure to call Mr and Mrs C when promised. It reduced their arrears balance by £50 as compensation, but said they could ask for the money to be paid to them direct if they preferred that. It referred them back to the previous complaint response regarding it declining to reduce the interest rate.

UKML responded to a further complaint on 21 May 2024 about it having requested further information about their IVAs. It accepted that its explanation about the situation could have been better and upheld the complaint about that issue. However, UKML said that it needed to have up to date information regarding their circumstances and so, while it accepted the income and expenditure form completed for the IVAs initially, it was right to ask for new ones thereafter so that it could be aware of any changes in their circumstances. In relation to Mr and Mrs C's concern that UKML did not tell them that they could get support from their first charge lender, it confirmed it was not able to provide financial advice, and it had directed them to seek independent advice in a previous complaint response. However, it offered £100 compensation for the poor service it provided.

Mr and Mrs C was unhappy with the responses they received and asked us to consider their concerns.

On 11 September 2024, UKML responded to a complaint about it having incorrectly sent Mr and Mrs C a 'letter before action' when it had assured them via this Service that no action would be taken while we investigated the complaint. It explained that an error had occurred and the letter should not have been sent. UKML apologised and paid £200 compensation into Mr and Mrs C's bank account.

One of our Investigators considered the complaint, but she ultimately didn't uphold it. Mr and Mrs C didn't accept the Investigator's conclusions and said they wanted to take the matter further. They said that they were not advised by UKML to contact their IVA provider,

and they believe that UKML had not acted professionally throughout the process. Mr and Mrs C reiterated that the time it took to be able to speak to UKML was excessive for someone with a full-time job and so it had been impossible for them to make any form of payment, as the links sent only allowed full payment to be made. Mr and Mrs C said that they felt UKML could remove any charges and interest it had applied to the account, and they would then be able to pay the monthly contractual payment and something towards the arrears.

As agreement could not be reached, it was decided that the complaint should be passed to an ombudsman for consideration.

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 the Investigator explained a lender is expected to attempt to help consumers who are in financial difficulties. They are required to explore ways to resolve an arrears situation, especially if the problem that created the arrears to begin with is one that looks to be short-term and capable of being resolved. For long-term difficulties, a lender must also look at other ways to help, such as transferring a mortgage from capital and interest repayment to interest-only for a period, deferring interest for a period of time or capitalisation of arrears.

Balanced against those requirements is the lender's obligation to ensure that any arrangement is affordable and sustainable. The requirement for a lender to try to help a borrower doesn't mean that a consumer should be given whatever they ask for, but rather the lender needs to determine if it can put forward any proposals that will actually help the consumer and not just postpone the inevitable if the mortgage isn't and won't be affordable going forward.

In order to do this, a lender must ask questions and ensure that it understands its customers situation fully. This will usually involve a consumer providing details of their income and expenditure, and possibly detailed information about contract renewals for things like mobile phones, broadband and television packages. The latter would be so that conversations could be had about whether savings on outgoings could be made when contracts were due for renewal.

I have reviewed the interactions between Mr and Mrs C and UKML from the time they told it they were struggling. It is clear that UKML considered whether it could assist Mr and Mrs C – it assessed their financial situation and decided to reduce the interest rate they were paying for a period to allow them time to alter their arrangements so that they would be able to afford the mortgage. This action was fair and reasonable in the circumstances and what I would have expected UKML to do. This forbearance measure was in place for nine months in total and it is the fact that UKML declined to extend it and increase the reduction that is at the core of Mr and Mrs C's complaint.

UKML has confirmed that a significant factor in its decision was that it didn't consider that Mr and Mrs C were prioritising their mortgage over their unsecured debts and non-essential outgoings. It is generally considered that a consumer in financial difficulties should do this, but, reasonably, they may not be able to do so immediately due to factors like being tied into contracts. The reduced interest rate period would have provided Mr and Mrs C with time to adjust their outgoings. I note that based on the income and expenditure exercises that UKML have provided, it appears that Mr and Mrs C did reduce their outgoings over time, eventually placing themselves in a position where they could not only afford the contractual payments to the UKML mortgage but also pay an amount toward the arrears. In the circumstances, it

would appear that UKML's decision not to provide further periods of reduced interest rates was not unreasonable or unfair.

That said, there were various administrative issues during Mr and Mrs C's interaction with UKML that should not have happened and caused delays in them receiving responses and information. UKML has acknowledged its mistakes and so I don't need to consider whether it got things wrong. UKML dealt with the errors at the time and it paid Mr and Mrs C compensation for the upset and inconvenience it caused them. I have considered if the amounts it paid them were proportionate and fair in the circumstances, and I am satisfied that they were. UKML has said that it has paid all of those sums, however, it is not entirely clear that the £50 compensation from the 18 July 2023 final response letter was paid, given it appears that Mr and Mrs C at least initially rejected that sum in a conversation with UKML. I accept that this payment may have been made at a later date, but UKML should ensure that it was.

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 and Mrs C to accept or reject my decision before 11 July 2025.

Derry Baxter
Ombudsman