

## **The complaint**

Mrs B's complaint is about a lifetime mortgage she has with Partnership Home Loans Limited (PHL).

Mrs B has effectively said that the mortgage was mis-sold as it was not suitable for her, given she was only 64 at the time of the sale, and so the compound, rolled-up interest would reach a very significant sum. Mrs B also says she has no recollection of completing the application form and despite requests, she has not been provided with a copy of it. She considers that she should have been told that a standard bank loan was a more suitable product for her or that she could have paid the interest that was accruing on the mortgage, thereby stopping the debt increasing. Furthermore, as Mrs B has said she would have been considered vulnerable at the time of the sale, a family member should have been invited to be present during the discussions.

In relation to the ongoing administration of the loan, Mrs B is unhappy that it was not highlighted during the term that she could make payments to the loan in order to stop the balance increasing. In addition, she has questioned the balance of the mortgage, as she believes that £10,000 has been added to it without justification.

Mrs B is represented in her complaint, but for ease I will refer to all comments and submissions as hers.

## **What happened**

In 2003 Mrs B took out a mortgage of £58,750 with an annual interest rate of 6.95%. An early repayment charge would be applied to the mortgage if it was repaid in the first five years.

The mortgage was advanced by a lender that subsequently went into administration. It was then transferred to another lender and, ultimately to PHL. The second lender continued to administer the mortgage for PHL after the transfer until mid-2023.

Mrs B had limited contact with the lenders, other than asking for a redemption statement in 2015, and how she could borrow more money in 2020. Mrs B also confirmed that she was still living in her home when the lender asked.

Mrs B spoke to PHL in June 2024. She was unhappy about the balance of the mortgage and wanted to repay it. PHL confirmed that it did not offer to reduce the amount payable if the mortgage was redeemed early, nor was it possible to change the interest rate payable. PHL suggested that Mrs B could start making partial repayments to reduce the outstanding debt. Subsequently, PHL provided an explanation of how the mortgage worked.

Mrs B was unhappy with the answers she'd received and complained about the advice she'd received and aspects of the administration of the mortgage.

PHL initially explained in a letter of 29 August 2024 that the mortgage had been sold to Mrs B by an independent broker, and it was the broker that was responsible for ensuring that

the mortgage was suitable for her and that she understood it. In addition, part of the sales process involved Mrs B speaking to her solicitors before she accepted the mortgage offer, which was also responsible for making sure she understood the mortgage and its implications for her finances. PHL confirmed it was responsible for Mrs B being provided with a mortgage offer and the terms and conditions. Details of the broker, the solicitors, and other organisations Mrs B might want to contact were provided.

PHL responded further in a letter of 19 September 2024 and again highlighted some things that Mrs B was complaining about were the responsibility of either her solicitors or broker. However, it apologised for having provided some incorrect information about the early repayment charge and giving her incorrect terms and conditions in response to her enquiries – it offered her £300 for any inconvenience this had caused her. In relation to information Mrs B was sent by the original lender, PHL confirmed that the mortgage offer had explained how interest was calculated, and it sent mortgage statements each year showing the balance increasing. PHL also said that as it had administered the mortgage as it should have, it would not agree to it being repaid for less than the full balance.

Following further complaint points being raised by Mrs B, PHL issued another response on 25 November 2024. It explained that brokers such as the one Mrs B used were independently regulated, and PHL only accepted applications from regulated businesses. In relation to Mrs B's concern that PHL or its predecessors had not encouraged her to make payments to the mortgage, it confirmed the mortgage was meant to last her lifetime and that there was no need for her to make any payments. PHL also said it would only discuss such matters with a borrower if they initiated the conversation. PHL also said that it was satisfied that the mortgage balance was correct and that there was no indication of £10,000 being added to the balance incorrectly. It was again confirmed that PHL would not agree to Mrs B settling the mortgage for the amount offered – around half the balance.

Mrs B remained unhappy with the responses she had received and referred her complaint to this Service.

PHL objected to us considering the complaint as the complaint points related to the advice, which it was not responsible for, and had occurred more than six years earlier.

One of our Investigators looked at the complaint. She confirmed that PHL was not responsible for whether the mortgage was suitable for Mrs B and any advice or lack thereof at the time of the sale. As such, the Investigator concluded we could only look at Mrs B's concerns about PHL's and the earlier lenders behaviour in lending and after the mortgage was in place and the impact that the potentially unfair relationship had on Mrs B. However, the Investigator didn't recommend that the complaint be upheld.

Mrs B did not accept the Investigator's conclusions, although she didn't provide any detail about why. She asked that the complaint be referred to an Ombudsman for a final decision.

### **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.

I would firstly confirm that the complaint issues Mrs B has raised about the suitability of the mortgage for her and what would reasonably be described as her believing that it was not properly or fully explained, is not something I can consider in this decision. That is because her lender did not sell the mortgage to her, but rather she sought independent advice. The Investigator has already provided Mrs B with current contact details.

However, as the Investigator explained, I can consider whether there was an unfair relationship between Mrs B and the lenders due to the complaint issues she's raised about what happened, or didn't, after her application was made.

The terms of the lifetime mortgage provided that no monthly repayments were required, although lump sum payments of £2,000 or more can be paid off the mortgage on a voluntary basis. The intention was that the mortgage would become repayable when the borrower went into full-time care or after their death. It can be repaid in full before either of those events have happened, but an early repayment charge would have been payable if that had happened in the first five years. The interest rate was set at the time of the advance so that a consumer will know what the balance will be at various points during the term. The interest rate can't be changed after the advance has been made. Interest on the mortgage is rolled up into the outstanding balance and is compounded until the debt is repaid. All of this means that if the loan runs for a number of years, there can be a significant balance to be repaid.

Mrs B doesn't think she should have been given the mortgage. While her reasoning for that predominantly relates to the advice she received, and so is outside of the scope of this decision, I can consider whether the original lender should have accepted her application and how it and its successors have administered the mortgage since, in order to decide whether PHL is responsible for a relationship that is currently unfair because of any of those things.

Mrs B has explained that she is and would have been considered at the time of the sale, a vulnerable consumer. That is something that should have been taken into account when the advice was given and, if the lender was aware of it, factored into its decision. However, the evidence I have doesn't indicate that the lender was aware of Mrs B's vulnerabilities. As such, it could not have reviewed her application in any way other than on the basis of whether it fitted with its lending criteria. It did that and accepted the application, with an offer being made shortly thereafter. I have seen nothing that indicates Mrs B's mortgage application should not have been accepted or that this acceptance created an unfair relationship between her and the lender.

It also appears that the mortgage has been administered in line with the terms and conditions, in that interest is charged on a daily basis, and compounded onto the mortgage balance monthly. I can't find that Mrs B was treated unfairly in this regard. As for it not having provided an explanation of how the interest accrued, I would again highlight that making sure Mrs B understood the mortgage was the role of her adviser, not the lender. However, the lender provided Mrs B with information about how the mortgage worked, which clearly demonstrated that the mortgage balance would increase year on year. This would also have been supported by the annual statements the lenders sent Mrs B throughout the mortgage term.

I would reiterate that PHL does not provide financial advice to its borrowers. It and its predecessors would be expected to provide information about the mortgage and to answer any questions a borrower has, but it would not be expected to proactively approach a borrower about making changes to their mortgage. So while Mrs B has said that she considers she should have been contacted by the lender early in the term of the mortgage to suggest that she pay the monthly interest, I don't agree. Furthermore, the mortgage contract doesn't allow for the interest to be paid on a monthly basis, rather it allows lump sum reductions of a minimum of £2,000 to be made.

I have considered Mrs B's concern that the mortgage balance is higher than it should be. It appears that the difference in the figures, and why Mrs B believes the mortgage balance is wrong, is because the calculations she has produced involve the daily interest being compounded on an annual basis. However, as the mortgage terms and conditions set out,

the interest is compounded on a monthly basis, not annually, which could explain why Mrs B's figures are lower than those PHL have provided.

If Mrs B remains of the view that the mortgage balance is incorrect, it would be open to her to instruct an independent, suitably qualified professional to audit her account. However, that would have to be at her expense. I say this as it is not the role of the Financial Ombudsman Service to provide an auditing service or carry out a forensic analysis of mortgage accounts. I have looked at the information regarding the interest that was charged and there's nothing that appears unusual or incorrect. If Mrs B does decide to have an audit done of her account, if errors were found to her financial detriment, she could complain about them and her costs in discovering them could be taken into account in putting matters right. However, as things stand, I am not persuaded that PHL did not administer her account as it should have or that the mortgage balance is incorrect.

Mrs B is unhappy that PHL has not accepted any of her proposals for repaying the mortgage. I know that this will disappoint Mrs B, given her concerns about the suitability of the mortgage, but a lender is not required to settle a mortgage for less than is owed where that balance is correct. As I have said above, it appears that the mortgage was administered correctly, and the balance is also correct. In the circumstances I cannot ask PHL to change its approach and to reduce the amount Mrs B needs to pay to redeem the mortgage.

Mrs B did not ask us to consider the recent poor service she received from PHL, and for which it offered her some compensation for the inconvenience its mistakes made. However, for completeness, I would say that the amount offered is in line with what I would expect in such circumstances, and if Mrs B has not accepted the compensation, she may wish to reconsider the offer.

### **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 Mrs B to accept or reject my decision before 9 July 2025.

Derry Baxter  
**Ombudsman**