

## **The complaint**

Ms J complains about the fees and charges which have been applied to her mortgage with Kensington Mortgage Company Limited (KMC). She is also unhappy with the mortgage balance and does not understand why this has increased.

## **What happened**

Ms J took out an interest-only mortgage with KMC in 2006 for around £214,000 (including fees and insurance premiums).

Ms J says that her monthly payments have increased and is unhappy with the fees and charges added to the account. She also says that she now owes more than she borrowed and does not understand why the mortgage balance has vastly increased from the original amount borrowed.

The mortgage was transferred to another company on 18 February 2023, therefore KMC is only responsible for fees added prior to this date. Any complaint about fees added from this date onwards would need to be made to the company now administering the mortgage.

I have already issued a decision on which parts of Ms J's complaint this Service could look into. I found that we didn't have any power to help with Ms J's complaint about the fees and charges applied (and remaining balance) prior to 5 July 2018, as this part of her complaint was brought out of time and did not fall within my jurisdiction. However, I found that this Service was able to consider Ms J's complaint about the fees, charges and balance from 5 July 2018 until 17 February 2023.

KMC says that the fees and charges applied to the account have all been applied in line with the terms and conditions of the mortgage. It says that over the period this Service is able to look into, three arrears fees of £30 had been applied where a payment had been missed. KMC also says that legal costs were added when it applied to the court for leave to enforce its possession order in May 2019. At the time of the application, it says that the arrears on the mortgage were over £10,000.

In respect of the outstanding balance, KMC says that the mortgage account was in arrears between 2007 and 2019, and then again from 2021 until February 2023 when ownership of the account was transferred. It says that interest on the mortgage is calculated and applied based on the total outstanding balance, which includes payment arrears, fees and the interest-only capital balance. Therefore, additional interest has accrued due to the fees and arrears, which has increased the outstanding balance.

Our Investigator looked into Ms J's complaint. He was satisfied that the three arrears fees added to the account during the period we could look into were applied fairly and in line with the terms and conditions of the mortgage, as the account was in arrears. He was also satisfied that legal fees added to the account in November 2019 were applied fairly, as he said that the arrears balance was over £10,000 by May 2019. KMC had been trying to set an arrangement on the account to address the arrears but this was not forthcoming, so the Investigator did not think it unreasonable for KMC to have instructed solicitors as the arrears were continuing to increase. The Investigator also found no evidence to suggest that the mortgage balance was incorrect and explained that the increased balance was due to the arrears and additional interest accruing.

Ms J disagrees with this, so the case has come to me to make a decision. She says that she agrees that she has been in arrears with her mortgage but that she has kept KMC informed and made arrangements with it. She says that a large amount of charges have accumulated on the mortgage and believes that these are not solely because of arrears and that the source needs to be identified. She says that she would pay off the arrears and that then KMC would say that she was back in arrears within a short space of time. She says that she has been made aware that she will always be in arrears as the interest is higher than her monthly mortgage payments.

### **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.

Having looked at the evidence, I agree with the Investigator's view for broadly the same reasons and I've explained my reasons further below.

I've looked at the transactions on the mortgage account between 5 July 2018 until 17 February 2023, which is the period this Service is able to consider.

Over that period, I can see that Ms J was charged arrears fees of £30 on 13 July 2018, 1 March 2019 and 1 April 2019. Ms J's mortgage account was in arrears over this period, and I am satisfied that the arrears fees have been applied to the mortgage account in line with the terms and conditions and tariff of fees for the mortgage.

Ms J has also been charged third party fees of £210 on 6 November 2019 and £279.60 on 12 December 2019. KMC has said that these relate to legal costs added when it applied to the court for leave to enforce its possession order in May 2019, and that at the time of the application the arrears on the account were over £10,000.

Whilst I am aware that the arrears had decreased by the time the third-party fees were applied to the account, I have seen a copy of the solicitors' invoices for both of these amounts and I am satisfied that they relate to legal work carried out in relation to Ms J's mortgage account.

The terms and conditions and tariff of fees for the mortgage set out that Ms J may be charged for solicitors' costs and court fees where KMC has had to take legal action in relation to the property. Given the increasing arrears on the account at that time, I don't think that it was unreasonable for KMC to instruct solicitors to take legal action. And it was entitled to pass these fees on to Ms J and apply them to the mortgage account.

The only other debits to the account over this period were in respect of interest. Ms J was in arrears on her mortgage, so additional interest was also payable on the amount outstanding. This has been applied to the mortgage account and has therefore increased the outstanding balance, as Ms J was not increasing the amount she paid every month to cover this additional amount of interest. This also means that the interest payable would have been higher than her monthly mortgage payments. This is what I would expect to see and does not mean that the outstanding balance is incorrect.

I also note that Ms J took a payment holiday during the pandemic, which meant that – although the payments during this period did not fall due or accrue as arrears – interest continued to be applied. Once the payment holiday had finished, the interest was capitalised and the monthly repayments were recalculated over the remaining term. KMC wrote to Ms J on 10 February 2021 to inform her of this. It also wrote to her again on 24 February 2021 to explain that the capitalisation meant that she would be likely to incur more interest if she continued to pay the new instalment over the remaining term of the mortgage and that making overpayments would help to reduce the amount of interest paid.

Overall, I haven't seen any evidence to suggest that the balance on Ms J's mortgage account is incorrect.

I know my decision will come as a disappointment to Ms J, but I can't say that KMC has acted unreasonably in the circumstances of this case, and I don't uphold this complaint.

### **My final decision**

For the reasons I've explained above, I don't uphold this complaint and don't require Kensington Mortgage Company Limited to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms J to accept or reject my decision before 10 July 2025.

Rachel Ellis  
**Ombudsman**