

The complaint

Mr M's mortgage with Paratus AMC Limited trading as Foundation Home Loans has been paid by Miss E for some years. Miss E says she's only recently discovered that paying at the end of the month costs her more, and she says Paratus should have told her this earlier.

What happened

This complaint is about a mortgage held by Mr M. However, that mortgage has been paid, for many years, by Miss E. She acts as a representative for Mr M, in bringing this complaint to our service.

Miss E has provided documentation showing Mr M has only a limited financial interest in the property, and Mr M does not live there. Although Mr M has given permission for our service to consider this complaint, he has also made clear that he doesn't wish to be involved, and feels he has no interest in its outcome.

Miss E said that since late 2017, when she started paying the mortgage, she has been paying at the end of the month. She said Paratus had never explained to her that doing this increased the balance on the mortgage, because additional interest was charged, and it was then added to a fees and charges balance each month. Miss E said Paratus should have told her this when she first took over payments on the mortgage.

Miss E set out what she said the impact on her was, of never having been told how much more she was paying because of paying later in the month. She thought Paratus should put things right now, and pay her substantial compensation because of how this impacted her.

Paratus said what it was doing was within the terms of Mr M's mortgage. It said Miss E may not have been fully aware of these terms, as she didn't take out the mortgage. But Paratus said it does charge daily interest on this mortgage, and the payment date is set to the first of the month. Customers can pay at any time during the month. And there's no late payment fee, if they do pay before the month ends. But if they pay after the first of the month, then additional interest will be charged. Paratus said Mr M's broker should have explained this to him, when he took the mortgage out.

Paratus said this mortgage was interest only, but a fees and charges balance is held on a repayment basis. And any additional interest which is charged because payments aren't made on the first of the month, is added to that balance.

Paratus said it had spoken to Miss E in December 2017, when she took over payment of the mortgage. Payments had already been set for the end of the month. Paratus said it no longer had this call, but it wouldn't expect to explain about the impact of paying late in the month unless it was asked. Paratus didn't accept any responsibility for not explaining to Miss E how interest was charged on the mortgage.

Our investigator didn't uphold this complaint. He said Mr M had no interest in when the mortgage was paid. And Miss E wasn't Paratus' customer, so he said Paratus had no duty to inform her about how the mortgage worked.

Miss E has argued strongly that Paratus ought to have kept her informed, as it was well aware she was the only one with a financial interest in the property, and that she was also the only one paying the mortgage. She said she'd asked questions about the fees and charges balance in May 2019, and in 2021 she asked Paratus to break down this balance for her, but on neither occasion was she told that daily interest was being added to this balance each month.

Miss E also set out in some detail how this had affected her personally. But our investigator didn't change his mind. Because no agreement was reached, this case then came to me for a final decision. And I then reached my provisional decision on this case.

My provisional decision

I issued a provisional decision on this complaint and explained why I did propose to uphold it in part. This is what I said then:

I should start by saying that our service has sent a separate decision to Miss E, explaining why we aren't able to consider a complaint brought in her name. I don't propose to reopen that issue here.

We are able to consider a complaint by Mr M, where he is represented by Miss E. However, as our service has already explained to Miss E, that places limits on what we are able to consider. For completeness, I'll set those constraints out again here.

When a case falls within the jurisdiction of our service (or in other words, is one we are allowed by the rules to consider) our decisions can be legally binding. That just means that in certain circumstances, businesses have to do what we tell them, or the decision can be enforced by a court of law.

We draw the power to make decisions which are legally binding, from an Act of Parliament – the Financial Services and Markets Act 2000. And that Act says, when we award someone compensation, we can only award “...*fair compensation for loss or damage ... **suffered by the complainant***” [emphasis added].

Here, Miss E represents Mr M in a complaint about what Paratus has done. And that means our service can't assess compensation based on the effect all these problems have had on her. Compensation could only be assessed on the basis of how these issues affected Mr M.

I understand why Miss E thinks this is very unfair. She's argued strongly that our service should take account of the effect Paratus' failure to inform her about this mortgage has had on her. Unfortunately, we're just not able to do that. We have to follow the rules governing our service. Our service doesn't set these rules, and no one at our service can change this position. Changing this would require an amendment to the Act of Parliament itself.

However, I am able to consider the effect that any failure to inform Miss E about how this mortgage operates, may have had on Mr M. So I've done that.

We know Miss E took over the mortgage payments in December 2017. I understand she adopted the existing payment date, at that time. Paratus has told us Mr M previously set the payments for the end of the month, and it says he had sufficient information to understand how this would impact on the mortgage.

I know Miss E thinks this should then have been explained to her in late 2017, when she started to make the payments. But I don't think it would be fair and reasonable to say that Paratus should have explained this again then, just because Miss E was taking over responsibility for the payments, under an agreement reached between her and Mr M. Paratus had provided the required information to its customer, and in 2017, Paratus' customer hadn't changed.

But I don't think that means Paratus never had to tell Miss E how this mortgage works. Paratus has shown us the authority that Miss E had to operate this account. It has set out that it considers Miss E's authority includes the following –

- Making payments.
- Corresponding with Paratus and being able to ask for information pertaining towards the mortgage.
- The ability to set up any forbearance measures on the mortgage should that be necessary.

So I think Paratus accepts that, if it's asked questions by Miss E about this mortgage, it can and should respond to those.

In May 2019, Miss E wrote to Paratus, asking about the "fees and charges" balance. I've seen the email Miss E sent on 13 May 2019, which asked a series of questions about the money making up this balance. Paratus provided a reply which, it said, dealt with the charges and fees.

I can see Paratus explained a number of separate items which were part of this balance. But Paratus didn't mention the additional sums being added to this balance each month, in respect of interest charged between the first of the month, and the date payment was actually received, at the end of the month.

Paratus justifies this by saying *"...this in itself is not a fee or a charge. This is why it does not show on the fees and charges letter sent."*

I think that in May 2019 Miss E asked broad questions about the balance of a separate part of the mortgage she was then paying. And she should have been provided with a full response. I also think a full response would have included explaining that this balance was subject to a monthly increase because extra interest was being charged, and added to it, as a result of payment being made at the end of each calendar month. I think Miss E should have been told that in the email Paratus sent on 23 May 2019, and she was not.

I note also that Miss E asked Paratus again to explain this balance in 2021, requesting a detailed breakdown, and again didn't receive an explanation of how it was made up which included the additional interest being charged.

In addition to Paratus not explaining the interest position to Miss E, in response to what I do think were questions aimed at trying to understand the detail of the mortgage she was paying, I also think Paratus' communications have at times been actively misleading. In May 2019, Paratus gave Miss E a total for existing arrears. It said then –

"...this does not include May's mortgage payment which is currently £536.44 and next due on the last working day of May 2019."

Whilst it may not have been Paratus' intention to mislead, Paratus is now very clear that Miss E's payment wasn't due on the last working day of the month. It was due on the first day of each month, and Paratus was charging extra interest each month because the payment wasn't made then.

So there are two things I now need to think about. What would have been different, if Paratus had explained to Miss E fully how the timing of her monthly mortgage payments was affecting the balance of the fees and charges part of the mortgage. And, given that our service cannot take account of the impact of this on Miss E herself, what has the impact of this been on Mr M, the complainant in this case?

In 2019 and in 2021, Miss E was seeking to take this mortgage on herself. If she had been able to reduce the balance, by moving her payments to the start of the month, and making sure her monthly payments were not being used in part to cover interest she had unknowingly run up, then she may have been able to achieve that move, by now. I cannot be sure that this would have already happened, but equally, I cannot rule it out.

I do, however, think it's likely that, if Miss E had been told she was paying additional interest each month because of the timing of her payments, in May 2019, then Miss E would have moved her payments to the start of each month, starting from June 2019. Although Miss E says she cannot afford to do that now, in 2019 and 2021 she appears to have been exploring taking out a mortgage in her own name, so I think it's likely that (in common with many people affected by rising interest rates) Miss E was then on a firmer financial footing than she is currently.

I do not think it was fair and reasonable of Paratus not to provide Miss E with a full explanation of the fees and charges balance, in 2019 and in 2021. However, I cannot ask Paratus to pay Miss E compensation for that, or ask Paratus to return the money paid for additional interest to Miss E. The rules of our service don't allow me to take her position into account, in that way.

What I have to do here, is to consider how Paratus' failure to properly inform Miss E about this mortgage, has affected Mr M.

Although Miss E would like this mortgage to be in her own name, Mr M remains the sole person named on the mortgage. And Mr M has taken a very hands-off approach to this complaint. But I don't think Mr M has been totally unaffected by what has happened here.

As long as the mortgage remains in his name, Mr M would find it extremely difficult to secure borrowing to buy his own home. And his wider borrowing remains affected by this mortgage being on his credit file. Mr M also remains at risk of serious damage to his credit rating, if Miss E were to fall into financial difficulties which prevented her from paying the mortgage.

Mr M's interest, in short, is in being removed from the mortgage. My provisional decision above is that a small but not insignificant amount of the outstanding balance on this mortgage has been made up of an interest charge which I think Miss E would have avoided if she had been properly informed by Paratus. I think that has meant the mortgage balance showing on Mr M's credit file is higher than it ought to have been, and I also think that has contributed to Mr M still being the sole person named on this mortgage. In all the circumstances of this case, that's not fair and reasonable.

So I will ask Paratus to recalculate this mortgage as if Miss E had made the same payments each month, but made those on the first of the month, not the end of the month, since June 2019.

I anticipate that will generate a small amount of additional funds. Assuming my provisional decision is confirmed and Mr M then accepts it, part of that money should be used to make the next monthly payment, in the month immediately after Mr M accepts my decision. I consider that Mr M is in a better position overall, and certainly at less risk of damage to his credit file, if Miss E's monthly payments are made at the start of the month, so no additional interest accrues to the debt. But Miss E has told us that she's not able to change her payment date at this time, because she cannot make two payments from the same paycheck. So using some of these additional funds in this way will then allow Miss E to make her payments at the start of each month, moving forward.

The remainder of those funds should be used to reduce Mr M's outstanding mortgage balance. That will affect Miss E's position, because under the trust agreement reached between her and Mr M, she will then have a larger amount of equity in the home that she lives in. But more importantly for the rules of our service, it should also reduce the debt showing on Mr M's credit file, and also move Miss E a little closer to securing a remortgage elsewhere, either now or in the future. That remortgage would achieve Mr M's ultimate goal, of being removed from this mortgage, and no longer having this debt shown on his credit file.

I will also ask Paratus to make a payment of £250 now to Mr M. That's partly to compensate him for the loss of a chance of being removed from the mortgage already, and also for the impact of having a higher mortgage balance on his credit file, than I think would have been the case if Paratus had given Miss E the information she needed, and repeatedly requested.

I understand that this is not what Miss E wishes our service to do. I hope I've explained why I'm not able to do what she would like. In all the circumstances of this case, which must include the constraints that our service operates within, I think my provisional decision provides a fair outcome.

I invited the parties to make any final points, if they wanted, before issuing my 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.

Both sides replied to my provisional decision. I'll set out the arguments each side has advanced, before responding to both.

Miss E responded to ask me to consider some changes to the redress I'd proposed. She felt the reworking of this mortgage should start from December 2017, when Mr M had provided written authority for Miss E to act on his behalf managing the mortgage, she took over the payments, and the direct debit was set up in her name. Miss E said Paratus had failed to disclose a key piece of information at that time, about how the timing of her payments affected the mortgage. She felt Paratus should have proactively shared that information then. She said Paratus' failure to do this had increased Mr M's mortgage balance, as I'd set out in my provisional decision. Miss E said if Paratus had told her the impact of late payments in 2017, she would have made the adjustment then to pay at the start of the month.

Miss E said I should also consider whether Paratus should pay 8% interest on the extra amounts added to the mortgage balance, to reflect the value of the money lost over some years, and the financial disadvantage to Mr M.

Paratus also wrote at some length, to disagree with my provisional decision. It set out the history of this mortgage and how it was managed between Mr M and Miss E, before Miss E took over making the payments on what now appears to be a permanent basis. It set out that the account was persistently in arrears from April 2008 until the arrears were cleared on 19 July 2023. It repeated that it had explained to Mr M the impact of paying at the end of the month, when he set this up.

Paratus said Miss E had made a number of attempts to take over the mortgage, but without success. Those efforts included offers below the outstanding mortgage debt, which Paratus had not accepted.

Paratus referred briefly to its comments about payment being due at the end of the month, and said these weren't intended to mislead Miss E. It said the extra interest it charges for paying later in the month isn't a fee, charge or penalty, and said that was why it thought this element of the fees and charges balance had never been explained to Miss E.

Paratus repeated that the mortgage statements make reference to the fact that payment is expected on the first of the month. Those statements all say "*Please note, as we calculate interest on a daily basis, by selecting a payment date earlier in the month, you will pay less interest overall.*" Although these statements were addressed to Mr M, they were sent to the property, so Paratus thought Miss E would have read them.

Paratus raised a new argument, about whether this could be a valid complaint if it was raised on behalf of Mr M, because it had clearly explained to Mr M that paying later in the month would incur extra costs. So Paratus said a complaint made on Mr M's behalf that he was not aware of this, when he was clearly aware, just didn't make sense. Paratus accepted it could have made things clearer to Miss E when she asked for a breakdown of the fees and charges which made up around £4,500 of additional debt, but Paratus said Mr M was aware of this. So it didn't think this complaint by Mr M could be upheld.

Paratus also said our service had noted that Mr M was not interested in the complaint or its merits and the complaint stems from Miss E's concerns. It didn't think this was a complaint that should be considered on behalf of Mr M.

Paratus also disagreed that the additional interest charged for payment later in the month could have had the impact suggested in the provisional decision. Paratus clarified that the total interest added up to only £295.02 (although it's not clear whether this includes the effect of compound interest on the interest charged over this period). So Paratus said the outstanding balance on the account would have been very minimally different.

Paratus said this would have no impact on Miss E's ability to remortgage in her name. Paratus said there were many other reasons why Miss E hadn't been able to do that. And it said Mr M's credit file was impacted by the history of mortgage arrears on the account. But Paratus said that about £50 a year in extra interest charged wouldn't have made a difference. So Paratus didn't think the account should be recalculated as I had suggested, or that it should pay Mr M £250 in compensation.

I'll now respond to the comments of both sides.

I set out in my provisional decision that I didn't think Paratus had to proactively inform Miss E about the effect of paying at the end of the month, and I still think that. I don't think it would

be fair and reasonable for me to expect Paratus to have realised when Miss E first took over the payments to this mortgage, the importance this would later have for Miss E.

But I do still think that Paratus should have told Miss E about the additional interest being charged on a monthly basis, when she asked about the “fees and charges” balance in May 2019. I think it is disingenuous for Paratus to argue that Miss E only asked about “fees and charges” so it didn’t mention additional interest, when Miss E was asking Paratus to explain what made up a balance which included this interest, and which Paratus has repeatedly referred to as a “fees and charges” sum. Nor do I think that a reference to additional interest on annual mortgage statements addressed to Mr M, makes up for Paratus’ failure in 2019 to explain a debt when asked about it by Miss E.

I note Paratus’ comments that this complaint ought not to be upheld because, whilst it hadn’t shared information with Miss E, it had previously shared that information with Mr M. However, I don’t agree. The FCA’s guidance on the implementation of the Consumer Duty says *“Where a person is authorised by a customer, or by law, to assist in the conduct of the customer’s affairs (such as where power of attorney applies), firms should provide the same level of support to that person as they would have provided to the customer.”*

In line with the statement set out above, I would have expected Paratus to respond to a question about the “fees and charges” total in 2019 with a full and complete answer, whether the question was asked by Mr M or Miss E. I should also be clear that I don’t think Paratus avoids this responsibility by saying it had told Mr M about this some years earlier. Paratus was well aware that Mr M had handed over day to day management of this mortgage to Miss E.

Miss E said that in addition to asking Paratus to rework this mortgage, I should consider whether to add 8% interest to the additional sums paid. I don’t think that it would be fair and reasonable for me to ask Paratus to pay Mr M (the only person I can make an award to here) interest on monies that he wasn’t deprived of, because Miss E was making the relevant payments. So I won’t include that in my award below.

Paratus also clarified that the sums involved here were small, and would not be likely to cover a full month’s mortgage payment for Miss E. It said that undermined everything I’d said about the impact of these charges on Mr M and Miss E.

It would have assisted if Paratus had provided this information in advance of my provisional decision on 30 April, and in response to my direct question on this matter dated 7 April 2025.

I agree that the relatively modest sums involved here would not, in themselves, have been likely to make the difference between Miss E being able to secure lending in her own name, or not. And whilst the balance on Mr M’s credit file was higher than it needed to be, the impact of this must have been limited.

However, I also note that on 22 March 2021, Miss E asked a series of questions about the “fees and charges” balance, in an attempt to work out what she’d been charged for. At that time, Miss E said she was talking to a bank manager about possible lending, but they wanted to know what each of the entries on the list of fees and charges were for. And Paratus’ response on 23 March again failed to explain that some of the total on this debt was made up of interest, as well as failing to set out the full details of the charges as Miss E had requested.

So I still think it’s likely that Miss E’s chances of moving this lending into her name were affected by this outstanding balance, which she wasn’t able to explain and which Paratus didn’t help her understand. And that, in turn, means Mr M has been affected, not only by the

balance on this mortgage, but also by the fact that it remains in his name. For those reasons, I still think the award set out at the end of my provisional decision remains appropriate here.

I note, however, that it seems unlikely the sum owed on recalculation of this mortgage will provide sufficient funds to make up one whole mortgage payment, so that Miss E can move her payments to the start of each month with no additional cost to her.

I will ask Paratus to provide Mr M and Miss E with a total refund for the reworked mortgage, and I will leave it to Mr M and Miss E to decide whether or not they still wish to bring Miss E's payments to the start of each month. For the avoidance of doubt, if they wish to do so, then either Mr M or Miss E will have to cover any additional payment due in that month, once the funds generated by the reworking of this mortgage are allowed for.

For the above reasons, I haven't changed my mind on the overall decision to be reached here. I'll now make the decision I originally proposed.

My final decision

My final decision is that Paratus AMC Limited trading as Foundation Home Loans must rework Mr M's mortgage, as if the payments made by Miss E at the end of each calendar month, had been made from June 2019 onwards on the first of each calendar month, and must pay Mr M £250 in compensation.

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

Esther Absalom-Gough
Ombudsman