

The complaint

Mr O complains about the lack of support he says he's been provided with by Pepper (UK) Limited trading as Engage Credit (Engage) whilst his mortgage has been in arrears.

What happened

The background to this complaint isn't disputed and was set out previously by our Investigator. So I'll just briefly summarised the key points.

Mr O took a mortgage with a lender in 2003 over a 25-year term. This mortgage has since been transferred to Engage in March 2022. Mr O's mortgage has been in varying levels of arrears over the term of the mortgage, and a suspended possession order was granted by a court in October 2018 due to the level of arrears.

Mr O's account remained in varying levels of arrears from this date. A number of arrangements were made with Engage. Some were maintained by Mr O, others were broken. Mr O's arrears were capitalised on 25 June 2024. A fees balance of around £27,000 remained outstanding.

Our Service considered a complaint about the fees that were applied to Mr O's mortgage and the interest the fees balance attracted in August 2024.

Mr O referred this complaint to us in December 2024. This complaint focussed on how Engage had dealt with Mr O whilst he'd been in arrears.

Our Investigator considered the complaint but didn't think it should be upheld. He said that Mr O hadn't always engaged with Engage as we would expect. And that the support Engage gave when Mr O was in contact was fair. Our Investigator didn't think that Engage should've capitalised the fees balance given the impact this would have on Mr O's monthly payment.

Mr O didn't accept this. He said:

- he'd had a number of health issues over the years which affected his ability to pay the mortgage.
- There were delays when he tried to get help from Engage
- The fees added to his account were excessive
- He'd made genuine efforts to get his mortgage back on track.
- Due to Engage's handling of his arrears balance, he was unable to rebuild his credit rating and therefore obtain a better mortgage rate until 2024.

Mr O asked for an Ombudsman to consider his complaint.

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 emailed Mr O with my provisional findings which were the same as our Investigator. He responded in depth. I've thought about everything he's said before reaching this final decision. I may not address each point he's raised, and that simply reflects the quick and informal nature of this Service.

In August 2024, our Service considered a complaint about the fairness of the charges added to Mr O's account in 2024 and the additional interest this was incurring. In short, the Investigator on that complaint found that Engage was entitled to apply interest to the fees and charges balance. Mr O didn't respond, and we closed our file on that complaint. Given the amount of time that's passed, we won't revisit this complaint point again. So, I won't comment on this further.

So, this leaves me to consider whether Engage has treated Mr O fairly whilst he's been in financial difficulties.

I want to acknowledge the number of health challenges Mr O has been through over the years. I am sorry to hear this, I'd like to thank Mr O for sharing these details with us. This can't have been an easy time for him.

During times such as this, lenders are expected to be sympathetic to borrowers. A lender should provide a reasonable level of flexibility and forbearance. But there is an expectation on the borrower to work with the lender to resolve matters. And there are limits to what a lender can do to assist borrowers who are in arrears.

Having reviewed the contact notes, I can see Mr O has been in touch with Engage over the years to seek assistance. Often, Mr O has been proactive on this basis. However, there have been a number of times Engage asked for further information from Mr O, and this wasn't always provided in a timely matter, or sometimes at all.

Whilst at times Mr O has been proactive, there have also been times where Mr O has not got in touch with Engage until after substantial arrears have built up and legal action has already commenced. Engage had tried to reach out to Mr O at these times, but a response wasn't forthcoming. Given that a suspended possession order was granted at one point, it's clear a court felt that matters had reached a situation where possession was likely to be necessary.

Engage can only help if help is requested, and, following help being sought, it's requests for further information such as a completed income and expenditure form are responded to promptly. I understand that Mr O wasn't always able to get in touch for various medical reasons. As I've said, it's clear he's had a very difficult time. However, regardless of this, mortgage payments are required to be maintained. And, without Mr O getting in touch to discuss his situation, or requests further help, I can't see what else Engage could've done to support him.

Ultimately, whilst I accept through no fault of his own Mr O was often unable to make his mortgage payments, these payments were still due. I can see Engage have at various times offered payment holidays, suspended litigation action and tried to work with Mr O to resolve the difficulties he's been in. This has meant that repossession of the property hasn't been required, and he's been able to keep the property. Overall, I think Engage has shown reasonable forbearance and treat Mr O fairly and reasonably in this regard. And it's

accurately reported the status of his account to credit reference agencies.

Moving on to Mr O's point that the arrears should've been capitalised sooner, and that the fees balance should also been capitalised. I've thought carefully about this point. But I can't agree.

Mr O's main point regarding the capitalisation of the arrears is that it would've put his credit file back on the path to recovery allowing him to move to a lower rate with another lender. However, improving a credit file is not the key consideration when considering whether to capitalise arrears. Capitalising arrears increases the monthly mortgage payment meaning that unless the capitalisation is clearly affordable, arrears could build up again and at a fast rate than previously. So, this needs to be done responsibly. And whilst Mr O remained in arrears, I'm not persuaded it would've been responsible for Engage to capitalise the arrears until Mr O had shown he could sustain monthly payments.

Most lenders will require monthly payments, or an arrangement to pay, to be maintained for a prolonged period before they will agree to capitalisation. Engage didn't capitalise the arrears until mid-2024. Given the various missed payments and arrangements to pay prior to this, I don't agree that it would've been right for Engage to capitalise the arrears sooner.

The fees and charges balance is held separately to the mortgage balance. If this were to be capitalised, it would mean the minimum monthly payment on Mr O's mortgage would've increased. This could have the knock-on effect of making the mortgage less affordable. The fees and charges being held separately means Mr O can make payments to it as and when he's able to, but it doesn't require a minimum additional payment. This means it's not going to contribute to the possibility of Mr O going back into arrears again.

Interest charged on the fees and charges balance is the same whether they are capitalised or not, meaning Mr O isn't financially affected by this. Not capitalising has not made the fees more expensive, but it has given Mr O flexibility to pay what he can when he can rather than increasing the monthly payment to include a mandatory payment towards the fees.

Overall, I don't think capitalising the fees and charges balance was or is in Mr O's best interests. So I don't think Engage was wrong to decline this request.

I've considered whether any of Engage's actions, or the application of fees has created an unfair relationship between Mr O and Engage more widely. But for the same reasons I've set out above, I don't believe any unfair relationship has occurred.

Overall, for the reasons set out above, I'm satisfied Engage has treated Mr O fairly and reasonably and shown reasonable forbearance in the circumstances.

My final decision

I understand Mr O feels very strongly about this matter, but my final decision is I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 8 October 2025.

Rob Deadman
Ombudsman