

The complaint

Mr and Mrs O complain that Elderbridge Limited hasn't treated them fairly, because it didn't send them statements for their second charge secured loan each year or tell them how it was treating interest on the loan, the loan balance is much higher than it should be, and it recently sent them an arrears letter when it shouldn't have done.

What happened

Mr and Mrs O took out a second charge mortgage, or secured loan, with Barclays in September 2007. They borrowed £66,000, plus a £16,163.40 payment protection loan, repayable over 25 years.

In 2009 Mr and Mrs O made a complaint about the payment protection insurance on the loan and received a refund. The loan balance was reduced to reflect the refund, and their monthly loan payments were also reduced.

There were some arrears in the early years of the loan which Mr and Mrs O were able to repay, but there was then a period of sustained arrears from 2011. In March 2012 Barclays suppressed the interest on the loan. This meant that interest accrued separately from the main loan balance as simple interest instead of compound interest, and is only repaid when the total capital balance has been repaid.

In 2016 the loan was transferred to Elderbridge. Elderbridge continued to suppress interest as the predecessor lender had done. In 2019 Mr and Mrs O complained about this and that the loan balance was much higher than they thought. Elderbridge sent them final response letters in May and July 2019. In August 2021 as a further concession Elderbridge stopped applying interest to the loan altogether.

In 2024 Mr and Mrs O repaid the capital loan balance. They also complained that Elderbridge hadn't sent them statements for the loan and that it hadn't told them until 2024 that the loan interest had been separated from the main loan.

Elderbridge explained that interest had been suppressed, or suspended, to help Mr and Mrs O and that as a result they had been charged less interest overall. It said it had responded to a complaint about this in 2019, although it now accepted it should have done more to keep Mr and Mrs O informed about the position of their loan. It offered them £100 compensation.

Mr and Mrs O didn't accept that. They said they would have planned their finances differently had they been told earlier about the suppressed interest balance and this would have avoided a lot of stress. They wanted to know how a balance of more than £47,000 could still be outstanding when they had repaid the main loan balance. They also made a complaint about an arrears letter Elderbridge had sent them in October 2024, which Elderbridge said was because they had been making payments after the monthly payment due date.

Mr and Mrs O asked the Financial Ombudsman Service to look into their complaint. Our Investigator said Elderbridge had made a fair offer to put things right. Mr and Mrs O didn't

accept that and asked for an Ombudsman's review.

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.

Our Investigator has explained the time limits that apply to this complaint. As she also explained, we can consider whether Elderbridge's and the predecessor lender's treatment of Mr and Mrs O gave rise to an unfair relationship between lender and borrower. In doing so, we can take into account all matters relevant to the fairness of that relationship, whenever they occurred. I've considered this complaint on that basis.

In 2012 Mr and Mrs O had been struggling to pay their loan. One of the things the predecessor lender did to help them was to stop adding interest onto the loan account so that they would no longer be paying interest on interest – known as compound interest – if they didn't keep up their payments. Instead Barclays carried on calculating the interest in the background, as it was still due, but because it wasn't applied to the account it didn't attract interest itself. This is known as simple interest.

In effect, in order to prevent interest accruing on unpaid interest, in 2012 Barclays 'ring-fenced' the interest in a separate account, so that it didn't attract further compound interest. This also meant that any payments Mr and Mrs O made after that point went towards reducing their arrears, and then towards repaying the capital. Ultimately, it meant that Mr and Mrs O were charged less interest than they would have been if interest had not been suppressed in this way.

The loan contract Mr and Mrs O entered into required each contractual monthly payment to be made in full and on time in the month it was due. Interest was being charged every month – so even if missed payments were made up, extra interest will have accrued for every day a payment is overdue. This interest can add up significantly, because for each delayed payment extra interest will be charged on the unpaid capital for every day it is late.

I realise that Mr and Mrs O are upset still to have an outstanding balance to pay on this loan. Our Investigator has passed on details to them of how that loan balance has accrued. The Financial Ombudsman Service doesn't offer an auditing service, but I've looked at the transaction history for Mr and Mrs O's loan and I've found nothing that appears unusual or incorrect.

Mr and Mrs O have complained that they didn't know interest was being suppressed in this way and their lender failed to communicate with them as it should have done. Their loan is unregulated because it was a second charge loan taken out in 2007 for more than £25,000 – so it isn't regulated under the Consumer Credit Act or subject to the Mortgages and Home Finance Conduct of Business Sourcebook rules. Elderbridge is regulated however, and it should have treated Mr and Mrs O fairly and communicated with them in a way that was clear, fair and not misleading.

Elderbridge has accepted that it could have done more to keep Mr and Mrs O informed about the position of their loan. It has offered Mr and Mrs O £100 compensation for the impact on them of not having done so.

I'm satisfied that Elderbridge has made a fair offer in all the circumstances. Its records show that Mr and Mrs O asked it and the predecessor lender for statements over the years, and statements were sent to them following their requests. So I think that Mr and Mrs O knew –

or certainly ought reasonably to have known – that they could find out the position of the loan at any time.

I've seen copies of statements sent to Mr and Mrs O in 2014. They said that the loan had been defaulted and: "interest charged on your loan has been accrued but not yet added to your account, so that we do not charge interest on this interest". The interest suppression was also shown on the transaction history on statements after 2012, because no interest charges were included and it was clear that all Mr and Mrs O's payments were going towards the main loan balance.

I can see that Mr and Mrs O may not have realised what this meant. But the available evidence satisfies me that they did know about the suppressed interest in 2019. Elderbridge's records show that they made a complaint about it then, after it sent them a statement in March 2019 at their request. While I've noted what Mr and Mrs O have said about not remembering that complaint, Elderbridge has provided copies of the final response letters it sent them in 2019, so I think it most likely that they did complain – and if they did not, they might reasonably have been expected to question the letters Elderbridge sent them.

The final response letter dated 30 May 2019 said it was a response to Mr and Mrs O's complaint that the predecessor lender "Suppressed the Interest on your loan and did not make you aware of this action." It went on to explain that the predecessor lender:

"suspended the interest on your loan account in March 2012, to help prevent further arrears from accumulating and this action has no negative impact to your account. By suspending the interest, your arrears and balance are reduced faster as no interest is being applied to your loan balance on a monthly basis. The suspended interest accrued is simple interest and not compound interest meaning that you are not paying interest on interest. Less interest means you would be able to clear your balance sooner, enabling us to update your Credit File to show your debt as satisfied."

The 16 July 2019 final response letter was a response to a complaint about the same thing and also about the balance of the loan, and included the same explanation as the one above.

Mr and Mrs O didn't refer their complaint to us until 2024. The 2019 final responses were superseded by Elderbridge's 22 July 2024 final response, because Elderbridge changed its position and offered Mr and Mrs O some compensation for not keeping them informed about their loan. In considering this complaint, including whether the way Mr and Mrs O were treated resulted in an unfair relationship between them and their lender, I must consider all the circumstances – which include the 2019 correspondence.

In its 2019 final response letters Elderbridge made it clear to Mr and Mrs O how the interest on their loan was operating, why, and what that meant. Mr and Mrs O therefore had the opportunity to mitigate any unfairness or misunderstanding in 2019, by increasing their payments if they could to repay the loan faster, asking Elderbridge about their options or more statements if they wanted them, or by referring their complaint to the Financial Ombudsman Service if they thought they were being treated unfairly.

In all the circumstances, I don't think that the way Elderbridge and the predecessor lender treated Mr and Mrs O has led to lasting unfairness or that I can fairly require Elderbridge to do any more than it has already offered to resolve this complaint. I think the suppression of interest meant that Mr and Mrs O were treated fairly, as it meant they were charged less interest than they would otherwise have been. I'm not persuaded that they have been financially disadvantaged by initially having been unaware of the interest suppression, given

that they knew about it in 2019 but chose not to pursue their complaint at the time or to increase their payments. They had the opportunity then to plan their finances differently if they wished and if they were in a position to do so, and no interest has been charged on the loan or the interest balance since August 2021, so all the payments Mr and Mrs O have made since then have gone and will go towards clearing what is left of their loan.

I've also considered Mr and Mrs O's complaint about the arrears letter they received in October 2024. I share the Investigator's view that this arose as a result of Elderbridge and Mr and Mrs O having different understandings of the monthly payment due date on the loan. I recognise that receiving the letter will have caused Mr and Mrs O some upset, but I can see that Elderbridge's records show the payment due date had been recorded as the 7th of each month for some time. Nonetheless, the issue was resolved quickly and Elderbridge apologised to Mr and Mrs O for any confusion. I think that was fair.

Elderbridge has accepted that its communication with Mr and Mrs O over the years could have been better and it has offered them £100 by way of compensation. Mr and Mrs O were put to some inconvenience in having to request information instead of it being sent to them automatically and, having considered the matter very carefully, I consider Elderbridge's offer is fair and reasonable in all the circumstances.

My final decision

My final decision is that Elderbridge Limited has made a fair offer of compensation. It should pay Mr and Mrs O £100, if it hasn't done so already.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs O and Mr O to accept or reject my decision before 4 November 2025.

Janet Millington
Ombudsman