

The complaint

Mr T complains that Prestige Finance Limited has asked him to pay fees and charges it says he owes on his second charge secured loan. He says it hasn't satisfactorily explained how this balance arose and remains outstanding now the loan term has ended.

What happened

Mr T took out a second charge secured loan in July 2004. He borrowed £30,000 over a term of 20 years, payable on a capital and interest repayment basis. The loan was assigned to Prestige in 2015.

In August 2024 Mr T thought the loan should have been fully repaid because the 20-year term had ended, so he cancelled the direct debit for the loan. But Prestige said there was still a balance outstanding that needed to be repaid.

Mr T asked for a statement for the loan since inception and more details about the fees and charges which Prestige said he owed. He says he didn't receive this, and instead Prestige sent him 'ad hoc' statements showing no arrears and a loan balance of £0.

Prestige then treated the matter as a complaint. It said there was still a balance to pay on the loan and it had responded to Mr T's emails appropriately.

Mr T referred his complaint to us. He considered that Prestige had been unable to explain where the fees and charges it wanted him to pay had come from, and he didn't think it was fair that the fees had been allowed to remain on the account for so many years accruing interest.

Our Investigator found that fees and charges had been added to Mr T's loan between 2005 and 2007, when the loan was in arrears. While Mr T had paid the arrears, he hadn't paid the fees and charges so they had remained outstanding and accrued interest. The Investigator didn't recommend that the complaint should be upheld and she sent Mr T copies of some of Prestige's and the previous lender's correspondence, including the loan statements from 2006, 2007 and 2008 which set out the fees and charges.

Mr T didn't accept that conclusion and asked for it to be reviewed. He didn't think Prestige or the predecessor lender had treated him fairly in allowing the fees balance to remain outstanding for so long attracting interest.

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.

The statements for Mr T's loan show that fees and charges were added between 2005 and 2007 because payments were missed. They included charges for recalled direct debits, arrears administration fees and legal fees. The final fee was applied on 22 August 2007. I see no reason why these statements might not have been sent to Mr T at the time, so I think

he ought reasonably to have known what he had been charged at the time as well – but I've seen nothing to indicate that he complained before 2024.

As our Investigator explained, this means that part of Mr T's complaint falls outside the time limits I must apply. I can't therefore consider his complaint about the fees and charges themselves. I can however consider whether the way Prestige and the predecessor lender treated him over the years in respect of the fees and charges balance on his loan resulted in the relationship between him and Prestige as the current lender becoming unfair. I can also consider Mr T's complaint about Prestige's recent communication with him.

I see no reason why the predecessor lender shouldn't have been entitled to add the fees and charges to the loan between 2005 and 2007. The statements show the loan was in arrears and payments weren't being made. The terms and conditions of this type of loan generally allow the lender to add its costs, including fees for dealing with missed payments and returned direct debits and legal costs, to the loan. The fees and charges were also clear on the statements issued to Mr T at the time, so that he understood what he was being charged and the impact those charges were having on his loan balance. The total fees balance and additional interest balance were also included on subsequent statements.

Prestige wrote to Mr T in late 2017 about the position of his loan and to let him know how much he would need to pay each month to repay the loan within the original 20-year term. Mr T queried this in an email to Prestige on 3 December 2017. He said:

"the letter also details I have a predicted balance of £4,851.66 remaining at the end of the term due to:-

'any outstanding arrears, charges, disbursements and additional interest that may have accrued on the account'.

I would like to have a detailed breakdown of what this predicated charge is comprised of please, as my belief is the account is up to date."

Prestige sent Mr T a letter on 18 January 2018 enclosing loan statements from 2005 to 2008 and said:

"When you cleared the arrears in 2007, these were arrears of instalments only and did not include any charges or additional interest.

The amortisation report shows the balance as it is at present and how it will reduce over the remaining term, should you make the increased payment each month.

As previously advised, should you wish to continue making monthly payments of £262.57 only, there will be an outstanding balance remaining at the term of expiry."

In earlier letters in late 2017 Prestige had said to Mr T that he would need to increase his monthly payments to £300.86 in order to repay the loan within the existing term. Mr T didn't increase his payments.

The loan had an outstanding balance when the 20-year term ended because of the fees and charges applied as a result of the payment arrears in the early years of the loan. Interest was then added to the fees and charges balance, because that balance was money Mr T owed and hadn't yet repaid.

I think there was enough information on the statements that were sent for Mr T to have realised that there was still a fees and charges balance on the loan, and I think he did realise

that in late 2017 and early 2018 in the light of his correspondence with Prestige at that time. Prestige made clear to him that his loan wouldn't be repaid by the end of the term if he didn't increase his monthly payments. Mr T had the opportunity to mitigate any unfairness in early 2018, by increasing his payments if he could, asking Prestige for other options if he couldn't, or by making a complaint if he thought he was being treated unfairly.

In all the circumstances, I don't think that the way Prestige and the predecessor lender treated Mr T has led to lasting unfairness or that I can fairly require Prestige to refund the fees and charges.

I note that there was a delay in Prestige responding to Mr T's request for information about why there was still a balance outstanding at the end of the term. It was reasonable of Prestige to want to confirm that it was dealing with Mr T before providing details of the loan. I don't think the 'ad hoc' statements it then sent him were helpful, given that they didn't include details of how the remaining balance had arisen.

Our Investigator has since however passed on relevant statements to Mr T so that he can see the fees and charges. If there is other information Mr T thinks Prestige should be able to provide to him he should let it know; Prestige should then either send it to him or if it can't do so it should tell him why. Mr T has asked why Prestige refunded some charges and interest to his loan in February 2022, when it says it carried out a 'sustainability review'. That didn't form part of the complaint he brought to us, so I think that's a matter for him to take up with Prestige separately if he hasn't done so already. He may be able to make a fresh complaint if he's unhappy with its response.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 21 October 2025.

Janet Millington
Ombudsman