

The complaint

Mr and Mrs W's complaint relates to a second charge secured loan they have with Intrum Mortgages UK Finance Limited trading as Intrum Mortgages. They believe that the decision to lend to them was irresponsible as the loan was not affordable.

What happened

Mr and Mrs W took out their second charge loan with Picture in 2007 to consolidate some existing debts and buy a business. The loan was for £70,000 over a term of 25 years. Added to the loan balance was the premium for a payment protection insurance (PPI) policy for just under £18,000. The monthly repayments were £880 based on a variable interest rate that was 10.9% at that time.

The loan has been transferred to new lenders on several occasions. The most recent being Intrum in May 2019.

In May 2016 Mr and Mrs W complained that their loan was mis-sold. They explained that they had only wanted to borrow £15,000 and they believed that their employment details were wrong. In addition, they said Mrs W's income was recorded as being higher than it was, in order to maximise the amount of borrowing. The lender responded on 16 June 2016 saying that an affordability assessment would have been done in 2007 and Mr and Mrs W would have known how much they would need to pay before entering into the agreement. As they didn't raise any concerns about the affordability at the time of the sale, the complaint was not upheld.

Mr and Mrs W referred the complaint to this Service, but it appears that we explained to them that as the original lender was no longer trading we could not assist them – they needed to refer the complaint to the Financial Services Compensation Scheme (FSCS). It appears from later notes made by the lender during discussions with Mr and Mrs W that they referred the complaint to FSCS.

Mr and Mrs W highlighted their concerns about the sale of the loan again in 2017, 2022 and 2023, when they were referred back to the 2016 complaint response each time.

In October 2023 Intrum wrote to Mr and Mrs W to tell them that it had identified that the interest rate it had applied to the loan had not always been reasonable and set in line with the terms and conditions. So it had carried out a remediation exercise to place their account in a fair position reflecting general interest rate movements since the account had been opened. The letter went on to confirm that this meant that from 1 December 2023 the interest rate would be going up, as would the monthly payment.

Mr and Mrs W complained to Intrum on 19 February 2024 about how they were being treated, having been told that the interest rate on the loan would be increasing, leading to a higher monthly payment.

Intrum responded on 26 March 2024. It explained to Mr and Mrs W that if they wished to complain about the advice they had received to take out the loan, they would need to refer the complaint to the broker who sold it to them. In relation to the original lender's decision to lend to them, Intrum explained that this complaint should be referred to the Financial Services Compensation Scheme (FSCS).

Intrum also confirmed that between 2019 and 2023 the account had not been administered in line with the terms and conditions, with regard to the interest rate. As such, in 2023 it had reworked their account. Intrum said it didn't agree that the interest rate detailed in its letter of 19 October 2023 was unfair or unreasonable. On the basis that it had not administered the account correctly before October 2023, the complaint was upheld and Mr and Mrs W were offered £200 compensation. Mr and Mrs W accepted the offer and payment was made.

Mr and Mrs W were not satisfied with Intrum's overall response and referred the complaint to this Service on 28 October 2024. When they did, they said that the mortgage put them into negative equity and changes to their income, even temporary ones, meant that they had to take on additional debt to be able to pay the Intrum loan. Mr and Mrs W said they don't believe that the affordability of the mortgage was checked. In addition, they believe some information about their incomes had been changed in the application to inflate the amount of money they were earning – that more than Mrs W's guaranteed income had been taken into account. Also, as Mr W would be just starting out with the new business, there was no guarantee on his income as it couldn't be known if the business would be a success.

Mr and Mrs W repaid their loan in December 2024. They have told us that they did so by cashing in two personal pensions when Mr W reached age 55. This was because his health had started to decline, and he had to pace his work.

In February 2025 Intrum re-opened the complaint about the interest rate that had been applied to the loan. It worked out that they had paid more interest since Intrum had taken over the loan in May 2019 than they reasonably should have. As the loan had been paid off, Intrum refunded the additional interest, plus interest at 8% simple per year direct to Mr and Mrs W. In addition, it paid them £300 for any upset and inconvenience they'd experienced.

One of our Investigators looked into the complaint and concluded that under our jurisdiction we wouldn't be considering the complaint about the original lending decision, but we could consider whether the lending decision and the interest rate applied had resulted in there being an unfair relationship between Mr and Mrs W and Intrum. He concluded that no unfair relationship had been created by the decision to lend to them and so Intrum didn't need to take any action in that regard. In relation to the matter of the interest rates applied, the Investigator was satisfied that the rework of the account had appropriately redressed that issue and set right any unfairness in the relationship it had caused.

Mr and Mrs W didn't accept the Investigators conclusions and asked that the complaint be referred to an Ombudsman.

What I've decided – and why

As the Investigator said, we can consider whether there has been an unfair relationship between Mr and Mrs W and the lenders created as a result of the original decision to lend to them – taking into account all matters relevant to the fairness of that relationship, whenever they occurred. The most recent lender, Intrum, is responsible for ensuring the relationship was fair, even if the unfairness may have originated in things done or not done by one of its predecessors.

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Mr and Mrs W complained about the interest rate being charged on their loan. I don't need to decide whether Intrum made a mistake in this regard as it has already accepted that it did – all I need to decide is whether it needs to do anything more to remedy the situation.

Intrum reworked the loan account in line with a previous decision we issued on the subject and refunded to Mr and Mrs W the overpaid interest, plus simple interest as they didn't have use of that money. Financial services businesses are required to learn from Ombudsman decisions and that is what occurred in this case – Intrum reviewed its previous rework of the loan account in line with one of my colleague's conclusions about how the interest rate should have varied. I am satisfied that the redress paid to Mr and Mrs W, as a result of that review, was appropriate and remedied any unfairness that may have been caused by Mr and Mrs W being charged higher interest rates during the relevant period. I also consider that the increase in compensation to a total of £500 was proportionate to the circumstances.

In relation to the matter of Mr and Mrs W's concerns about the original lending decision, there is almost no information about what assessments the original lender did at the time or about Mr and Mrs W's circumstances.

Mr and Mrs W have provided information which shows that before Mr W gave up his job to become self-employed and without Mrs W's overtime, they had a joint earned income of around £30,000 – which equated to around £2,300 net income each month. Mrs W has also said that she received tax credits at the time and her payslips showed that she received overtime of varying amounts. They've also provided evidence of their council tax and a utility bill from the time, and they've given us their recollections of how much other costs would have been. However, this is not enough to determine what an affordability check would have shown at the time.

I also note that Mr and Mrs W afforded the payments to the loan most of the time, and when there were problems they were temporary and due to identifiable changes in circumstances. That would not indicate that the loan was unaffordable at the time it was arranged. While I note that Mr and Mrs W have said they had to take on additional debt to cope during those periods, the fact that they were due to changes in circumstances, does not indicate that the loan was unaffordable when it was advanced.

In order to uphold this complaint, I have to be persuaded that a mistake was made and that led to an unfair relationship. While I understand that Mr and Mrs W will not be happy with my conclusions, given the lack of evidence from the time their application was accepted, I can't determine that there was such an error or that an unfair relationship was created between Mr and Mrs W and the original lender, which continued thereafter.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr and Mrs W to accept or reject my decision before 28 November 2025.

Derry Baxter
Ombudsman