

## **The complaint**

Mr D complained that UK Mortgage Lending Ltd trading as Pepper Money ("Pepper") told him his ERC would reduce in a few months' time. He delayed redeeming the mortgage, but then found there was no reduction, so he could have avoided some monthly payments.

## **What happened**

Mr D said he wanted to complain about how Pepper handled the Early Repayment Charge (ERC) on his interest-only mortgage. Mr D said Pepper made a mistake, and he was worse off because of this.

Mr D said he asked Pepper in February 2025, how much the ERC would be on his mortgage if he paid it off early. Mr D said Pepper told him it was then 3%, but if he waited until June 2025, it would reduce to 2%.

Mr D said he relied on this, and made a decision to delay repaying his mortgage, and hold off selling the property, so he could benefit from the reduced charge.

Mr D said he spoke to Pepper again in May 2025, and was then told it had made a mistake. His ERC was 3%, and it wasn't going to reduce below that for some time to come.

Mr D said this had cost him, he'd had to pay the higher ERC, and he'd also continued to pay interest unnecessarily on a mortgage he would otherwise have repaid earlier. Mr D said the property sale was delayed specifically in anticipation of the lower ERC, based on the advice he received in February.

Mr D said when he complained, Pepper only offered a goodwill gesture of £75. He wanted Pepper to recalculate the ERC using the rate of 2% that he was told would apply, and repay the extra interest he was charged when he was delaying the sale of the house.

Pepper accepted it had made a mistake on the call in February. It said it had later corrected this, and the right ERC had been charged, it was 3%. So Pepper accepted it had got something wrong, but it thought the payment it had offered Mr D was enough to make up for that.

Our investigator said Pepper had charged the correct ERC of 3% when it redeemed Mr D's mortgage, so it had made a mistake when it spoke to Mr D on 12 February 2025, telling Mr D he'd only have to pay 2%. But he didn't think Pepper had done enough to make up for this mistake, and asked it to increase its payment to £200.

Pepper agreed to the extra payment, but Mr D objected. He said he still felt he should get something back, for the extra interest he paid. He said Pepper's mistake had caused him financial loss, which we hadn't accounted for. But our investigator didn't agree. He said Mr D already had the right information about the ERC, in his mortgage offer. And Mr D hadn't chosen to redeem the mortgage until over a month after he was told the correct position.

Mr D said he thought it was reasonable to reply on what Pepper had told him, and he said

Pepper should be held responsible for the financial loss he'd directly incurred due to its mistake. He said his decision to delay the mortgage redemption was based solely on the incorrect information provided by Pepper's agent, which he'd relied upon in good faith.

Because no agreement was reached, this case 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 didn't propose to uphold it. This is what I said then:

I think the point Mr D has made, about it being reasonable for him to rely on what Pepper told him, is a fair and reasonable basis on which to decide this complaint. As Mr D said, not everyone will have access to their mortgage offer some years after it was made. I think here that it was reasonable for Mr D to rely on what Pepper told him about his mortgage in early 2025, rather than expecting him then to go back to documents issued to him in 2022 to check if Pepper was right.

But that doesn't mean that Mr D should be repaid some or all of the interest he paid, between February 2025 when Pepper gave him mistaken advice, and June 2025, when he redeemed the mortgage. That's because I haven't been able to see that Mr D really would otherwise have redeemed the mortgage any earlier than he did.

I wrote to Mr D, to ask about this. I asked if Mr D could show our service that he could have redeemed this mortgage earlier. I said it would be helpful to have Mr D's testimony about what happened, but I would also appreciate either supporting statements from his estate agent or conveyancer, or any emails or messages from the time.

In response, Mr D sent us what he said was a request for a quote for conveyancing services, dated early February 2025. I replied, saying that didn't show that the property could have sold earlier than it did, and inviting Mr D to send more.

Mr D then replied to say we already had evidence that Pepper had accepted it had made a mistake. So he felt I should be taking his account of what happened after that, at face value. Mr D said any pacing on his part was a direct response to the advice that he'd received, and not an independent decision to delay the sale for his own reasons.

Mr D said the sale was agreed in early February. Because he had been advised the ERC would be lower from June 2025, he said he moderated the pace accordingly. But Mr D said he then spoke to Pepper again in May, and when he was told there was no change to the ERC coming, Mr D said he then pressed to complete the sale at pace.

Mr D said the buyer for his property was chain free, and their mortgage was arranged very early. Mr D said he felt the causal link between Pepper's mistaken advice in February and his timing was established on the balance of probabilities, so he said that should be enough for me to decide this in his favour.

I'm sorry to have to tell Mr D that I don't agree. Whilst I understand, and quite accept, that he would not have wished to complete before 24 June, based on the mistaken advice he got from Pepper, I'm not able to say it is most likely that he could, and would, otherwise have been able to complete before the date of 16 June, when I understand this sale was finalised. Mr D had only accepted an offer in early February. So the sale completed just over four months later. Whilst it is possible to achieve a sale considerably quicker than the four months this took, to do that requires a strongly

motivated seller and buyer, conveyancers on both sides who are on top of their game and committed to work at pace, as well as no hiccups in the sale.

I can quite see, as Mr D has said, that he would not have been strongly motivated to sell before 24 June, but that simply doesn't allow me to assume that he was the only reason this sale didn't complete sooner. I'm not able to assume that it's most likely all the other parties in this sale were sufficiently skilled and motivated, so that it's most likely this sale would have completed sooner if Mr D hadn't been moderating his own pace.

As this decision is reached on a rather different basis to the view previously set out by our investigator, it will be provisional. And Mr D is therefore able to supply further evidence if he wishes. However, on the evidence I've seen, I currently think that a payment of £200 in compensation, which I understand that Pepper has agreed to make, does provide a fair and reasonable outcome to this complaint.

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.

Mr D didn't reply. Pepper said it was happy to accept my decision, which only asked it to pay an amount it had already agreed to. So neither side has offered any further argument or evidence in this case, and I haven't changed my mind. I'll now make the decision I originally proposed.

### **My final decision**

My final decision is that UK Mortgage Lending Ltd trading as Pepper Money must pay Mr D a total of £200 in compensation. UK Mortgage Lending Ltd trading as Pepper Money can count the amount of £75 that it previously offered towards this amount, only if it has already paid Mr D that sum.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 2 December 2025.

Esther Absalom-Gough

**Ombudsman**