

## **The complaint**

Miss N's complaint is about a mortgage she has with UK Mortgage Lending Ltd trading as Pepper Money. Miss N has raised a number of complaints about the information she was given about the mortgage, the interest rate and the service she received.

## **What happened**

In 2018 Miss N sought assistance from an independent mortgage broker. She was recommended a mortgage with Pepper Money, which had a five-year fixed interest rate product attached to it.

The following year Miss N became unwell and was unable to maintain the mortgage payments. This meant that the mortgage went into arrears and Pepper Money took legal action, resulting in a suspended possession order being issued in 2019. Under the terms of the order Miss N needed to make the contractual monthly payment (CMP) plus a sum on top to repay the arrears. That amount was paid until a Covid-19 payment deferral was applied to the mortgage in May 2020 for three months.

Following the payment deferral, in most months, Miss N returned to making payments to the mortgage of slightly more than the CMP, but less than she had been paying before the payment deferral. However, the arrears increased again due to missed payments between October 2021 and February 2022, and underpayments between November 2022 and November 2023. Miss N then started paying the CMP in most months, and the arrears balance remained static.

Miss N raised a number of complaints about Pepper Money's administration of her mortgage and its decisions following her experiencing financial difficulties. In addition, she also raised concerns about the nature of the mortgage and having not been made aware of how it worked.

Miss N contacted this Service to ask us to consider the complaint.

Ultimately, one of our Investigators concluded that we could only consider parts of Miss N's complaint. She set out what those were and why, and she went on to consider the merits of those parts of the complaint. She didn't recommend any part of the complaint be upheld.

Miss N didn't accept the Investigator's conclusions and asked that the complaint be passed to an Ombudsman for consideration. She said that she did not accept the conclusions reached in relation to either which issues that fell within our jurisdiction or the merits of the parts that had been considered.

The Investigator considered Miss N's further comments, but she didn't change her conclusions. Miss N asked that the complaint be referred to an Ombudsman.

I issued a decision setting out our jurisdiction in relation to the various complaint points Miss N had raised at different times. I concluded that we could consider the following complaint points:

- The valuation completed in 2018 contained incorrect information about the nature of the ground floor extension.
- Miss N was not told at application stage that the broker fee would be added to the mortgage balance.
- Miss N was not told that she would not be able to have a new interest rate product when the one taken out with the mortgage expired.
- Miss N's credit file showed that she had not made any payments for six months.
- The change of name of the lender and a subsequent change in the terms of the mortgage.
- The interest rate applied to the mortgage from November 2023 was too high.
- Miss N believes that the arrears balance is wrong from May 2022.
- Miss N's dissatisfaction with the Service she received, including:
  - bullying tactics and adding unnecessary costs to the mortgage due to constant calls and letters about the arrears on the account, along with the threat of a field agent visit;
  - her request for the mortgage to be converted to an interest-only basis in 2023 was not agreed; and
  - the letter of 6 December 2023, regarding the sale of Miss N's property, incorrectly said that Pepper Money had been unable to contact her, when it had not attempted to do so.

### **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.

#### Valuation

Lenders are not property experts and so when it comes to deciding whether a property is suitable as security for borrowing, a lender will usually commission an independent expert to value the property and ensure that its nature fits with the lender's criteria. Where there are concerns about the valuation that's been produced, if it has been done by an independent expert, we can only consider whether the lender has appointed a suitably qualified expert. We can't look at the contents of the valuation as the surveyor doesn't fall within our remit and the valuation isn't a regulated activity.

In this case Pepper Money appointed a RICS registered surveyor, which would be considered a suitably qualified expert. I can't find Pepper Money did anything wrong in this respect. I am also satisfied that it acted appropriately in relying on that valuation when it agreed to the mortgage Miss N had asked for.

#### Broker fee

Miss N has suggested that the broker fee that she was due to pay for the advice she received in 2018 was added to the mortgage balance, and she wasn't told this was going to happen. I have looked at the mortgage illustration produced alongside the mortgage offer in 2018. Section 3 of the illustration detailed the amount Miss N was borrowing and confirmed that if any fees were included in this amount, they were detailed in section 4 of the document, alongside details of the interest rate. Section 4 confirmed that the only fee that was added to the mortgage balance was the completion fee due to be paid to Pepper Money. The fee Miss N needed to pay the mortgage broker for the advice she received was paid directly to the broker when the application was made.

#### Access to new interest rate products

As Miss N has highlighted in the above complaint point, the advice she received to take out this mortgage was given by an independent mortgage broker. Part of the broker's role was to ensure that Miss N understood the mortgage she was applying for, including whether the lender provided new preferential interest rate products. The same would apply to the fact that Pepper Money does not interact directly with borrowers if they want to take out new borrowing or make changes to an existing mortgage.

I would also confirm that a lender is not obliged to provide preferential interest rate products to customers, whether at the outset of borrowing or after an existing product has ended. While Miss N appears to have assumed she could ask for a new product, the documentation from 2018 did not indicate that would happen and the mortgage offer explained that the mortgage would move onto a variable, reversionary interest rate when the product ended.

While Pepper Money has not offered Miss N a new interest rate product, it has also not stood in the way of her moving her mortgage to another lender in order to benefit from a lower interest rate. While that may not be possible for Miss N, I have seen no evidence that this is because of anything that Pepper Money has done.

#### Reporting to credit reference agencies

In relation to what Pepper Money has reported to credit reference agencies, I would firstly confirm that lenders don't control how individual credit reference agencies display data on their reporting. That said, it is normal for outstanding arrears on a mortgage account to be expressed as a multiple of the CMP. For example, if the CMP on a mortgage was £2,000 and the arrears on the account was £8,000, that would be reported as there being four months' worth of arrears. It does not matter whether the monthly payment in any given month was made in full, the outstanding arrears would still be reported in this manner. There is nothing wrong with a lender doing so and I have seen nothing that indicates Pepper Money has been reporting incorrect information.

#### Change of name

A financial business is entitled to change its name if it so wishes. It is also written into the terms and conditions of Miss N's mortgage that the mortgage can be transferred between lenders. While Miss N has suggested that she thinks the terms of the mortgage were changed alongside the change to the lender, that is not the case. The existing terms and conditions remained in place.

#### Arrears

Miss N has said that she believes the arrears balance Pepper Money has recorded on the mortgage is wrong. As I confirmed above, I can only consider the arrears balance from May 2022. I have looked at the transaction records showing what Miss N has paid and the amount that should have been paid since that point. I am satisfied that the change in the arrears balance is reflective of the CMP and amounts paid on the account during the relative period.

#### Interest rate

I have considered the interest rate applied to the mortgage from November 2023. The mortgage offer detailed that the interest rate following the end of the preferential product would be 5.3% above LIBOR.

It is not unusual for the interest rate on a mortgage to track what is called a 'benchmark' rate, such as LIBOR or Bank of England base rate. When tracking the benchmark, there will be

what is called a margin. This is the amount above the benchmark rate that is applied to the mortgage. In the case of Miss N's mortgage, the reversionary interest rate tracked LIBOR and the margin was 5.3%.

However, by the time Miss N's mortgage was due to revert to this variable interest rate, LIBOR had ceased to exist. As such, the interest rate has been determined by an alternative benchmark rate, primarily based on a benchmark calculated in line with the Regulator's guidance. The Investigator highlighted the mortgage condition that allowed Pepper Money to change the benchmark rate, so I won't repeat it here. Having considered Pepper Money's actions, I am satisfied that when it altered the benchmark rate being used, this was in line with what the mortgage contract allowed, and it is reasonable that it has applied the interest rate in line with the mortgage terms and conditions.

That said, Pepper Money did make a mistake calculating the interest on Miss N's mortgage following it moving to the reversionary rate. However, it has already corrected the error and adjusted the mortgage balance, so I don't consider it needs to do anything more in this regard.

Miss N has explained that the significant increase in the interest since her mortgage product ended has caused her to struggle to pay the mortgage. Interest rates have, across the mortgage market, increased significantly in recent years, so no matter what lender Miss N was with, her monthly payments would have increased considerably when moving on to a reversionary rate. However, having considered the interest rates she has been charged, I am satisfied that they appear to be consistent with other lenders providing mortgages for the same sector of the mortgage market. I also note that Pepper Money has not stood in the way of Miss N moving her mortgage to another lender in order to benefit from a lower interest rate. While that may not be possible for Miss N, I have seen no evidence that this is because of anything that Pepper Money has done.

### Service

When a consumer has a mortgage, the lender is required to periodically ensure they know the status of the mortgage. When there are arrears on a mortgage the requirements on the lender increase. It has to ensure that the borrower understands the arrears situation at least quarterly and that they are aware of the potential consequences of the situation.

Lenders are also under an obligation to provide assistance to consumers that are in financial difficulties where that is possible. In order to do so a lender needs to assess the borrower's financial situation and so requires contact and co-operation from the borrower. It is not unreasonable for a lender to contact its customer to try to, initially, determine if there is a problem and, if there is, to obtain the information it needs to be able to see if it can do anything that will help.

I can understand that Miss N has been unhappy that Pepper Money has contacted her about the arrears on the mortgage, but it has to do so. It also has to ensure that she knows the position the account is in and provide the appropriate warnings of what could happen if the arrears situation isn't sorted out. As for the possibility of a field agent visit, that is not unreasonable where a lender isn't able to complete the necessary assessments direct with a borrower.

Over time Pepper Money completed such assessments where it could and put in payment arrangements to address the arrears situation. However, it appears that it was unable to have the necessary conversations with Miss N when it came to her request in 2023 to convert the mortgage to an interest-only basis, even temporarily. Based on the information

provided by the parties, I am not persuaded that Pepper Money acted inappropriately or used bullying tactics.

In relation to the letter of 6 December 2023, Pepper Money has already accepted that the language contained in the letter was inaccurate and it has apologised to Miss N. I don't think it needs to do anything more.

**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 Miss N to accept or reject my decision before 20 February 2026.

Derry Baxter  
**Ombudsman**