

The complaint

Mr B, Mrs B, Mr B1 and Ms B complain about a buy to let mortgage with Paragon Bank Plc – in particular that it appointed receivers to manage the property, wouldn't agree to hand it back, and wouldn't agree to proposals to get the property ready for sale. Although all four were party to the mortgage, the complaint has been brought by Mr B, though with the consent of the other parties.

What happened

Mr B, Mrs B, Mr B1 and Ms B took out a buy to let mortgage in 2007. They borrowed around £79,000 on interest only terms over 15 years.

In 2014 and 2015, Mr B and Mrs B were declared bankrupt. Mr B was discharged in 2019.

In 2022 the mortgage term came to an end. Paragon appointed receivers to manage and sell the property to repay the outstanding balance.

The receivers put the property on the market. As there was no interest, the property was placed into auction. It sold in August 2023 for £65,000, leaving a shortfall balance of around £25,000 including fees and charges. Paragon had retained a surplus from the sale of another property (not the subject of this complaint) of around £12,750. It used this surplus to reduce the shortfall and wrote off the remainder.

Mr B complained. He said that he hadn't been aware that receivers had been appointed until after the property was sold. He said that the property should have been valued at around £95,000 but the receivers had decided to sell with sitting tenants rather than vacant possession, which reduced the price.

Paragon said it wrote to the borrowers at the end of the term asking how they intended to repay. When it didn't receive any reply, it instructed receivers. The receivers then decided to sell the property.

Our investigator didn't think the complaint should be upheld, so Mr B asked for it to be reviewed by an ombudsman.

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.

Although a receiver is appointed by the lender, the receiver is not the agent of the lender. The receiver in effect stands in the place of the borrower. Section 109 of the Law of Property Act 1925 says that a receiver is appointed by a mortgagee (lender) but "shall be deemed to be the agent of the mortgagor [borrower]; and the mortgagor shall be solely responsible for the receiver's acts or defaults unless the mortgage deed otherwise provides."

That's relevant law for me to take into account. Although Mr B is not resident in England or Wales, the property is, and the mortgage terms and conditions are subject to England and

Wales law, including the Law of Property Act. Once a receiver is appointed by the lender, the lender is not responsible for any decisions the receiver may or not make. That's the case even where the lender is consulted by the receiver before making a decision. But if the lender instructs the receiver to do or not do something, it might in those circumstances be fair and reasonable to hold the lender responsible for that.

The terms and conditions of the mortgage also confirm that. Section 11 says the lender has the power to appoint a receiver to exercise any of the powers set out in the Law of Property Act, and says:

“the Receiver shall (so far as the law permits) be the agent of the Borrower (who shall alone be personally liable for his acts defaults and remuneration)”

Mr B says that the receiver should be treated as Paragon's agent, and Paragon should be responsible for the receiver's actions. The receiver was not taking instruction from him and not acting in his interests.

I've set out above the legal and contractual position regarding the appointment of receivers and the actions of the receiver. I've also considered what the evidence shows about decisions the receiver made and their relationship with Paragon. Having done so, I'm not persuaded that Paragon gave direction to the receivers such that the receivers were no longer acting as agent of the borrowers.

Paragon instructed receivers following the end of the mortgage term, and it was the receivers who decided to sell the property and decided on the marketing strategy. I've seen a complaint response the receivers have sent to Mr B explaining their decision to sell the property with a sitting tenant rather than with vacant possession. I appreciate Mr B doesn't agree with the marketing strategy adopted by the receivers, but that's not something I have any power to consider.

I don't think it was unreasonable that Paragon appointed receivers following the end of the term. Once the receivers had sold the property, and it had applied the surplus from the sale of another property to the outstanding balance, Paragon then wrote off the remaining shortfall. I think that was fair.

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 B, Mrs B, Mr B and Ms B to accept or reject my decision before 19 March 2026.

Simon Pugh
Ombudsman