

## The complaint

This complaint is about a buy-to-let (BTL) mortgage that Mrs G holds with Pepper (UK) Limited. There are several strands to the complaint, all of which relate to how Pepper has treated Mrs G since she fell into arrears on the mortgage, its appointment of Law of Property Act (LPA) Receivers to manage the property, and the actions of the Receivers since they were appointed.

## What happened

The basic background to this complaint is well known to both parties so I won't repeat the details here. Our decisions are published, and it's important that I don't include any information that might result in Mrs G being identified. (For that reason, I'll be rounding any figures unless context requires they be exact).

Instead I'll focus on my decision and the reasons for it. No discourtesy or lack of care is intended by that. It's simply a reflection of the informal service we provide, and if I don't mention something, it won't be because I've ignored it. It'll be because I didn't think it was material to the outcome of the complaint. This approach is consistent with what our enabling legislation requires of me.

It allows me to focus on the issues on which I consider a fair outcome will turn, and not be side-tracked by matters which, although presented as material, are, in my opinion peripheral or, in some instances, have little or no impact on the broader outcome.

Our Investigator thought that parts of Mrs G's complaint should be time-barred under our rules. On the elements that she thought weren't time-barred, she didn't think Pepper had treated Mrs G unfairly.

Mrs G asked for the case to be reviewed by an ombudsman. In addition to disagreeing with the Investigator's findings on the merits of the issues she *did* consider, Mrs G has continued to argue that all aspects of the complaint should be looked into.

By way of a decision dated 8 April 2026, I confirmed that our jurisdiction is confined to considering the content of the final response letter Pepper issued on 2 September 2025, to the extent that it addresses acts or omissions by Pepper exclusively since 21 December 2023.

## What I've decided – and why

I'll start with some general observations.

I can't consider the fairness or otherwise of the actions taken by the Receivers, the fees they charged for the work they carried out, or the impact on Mrs G (or her tenant) of the Receivers' decisions. The Receivers, once appointed, act for Mrs G, not Pepper. There's nothing in the evidence provided that leads me to conclude that Pepper was or is controlling or influencing the Receivers since the appointment was made. The rules of the

Financial Ombudsman Service don't permit me to consider the acts or omissions of a party acting for a complainant.

We're not the regulator of financial businesses, and we don't "police" their internal processes or how they operate generally. That's the job of the Financial Conduct Authority (FCA). We deal with individual disputes between businesses and their customers. In doing that, we work within the rules of the ombudsman service and the remit those rules give us. We don't replicate the work of the courts.

We're impartial, and we don't take either side's instructions on how we investigate a complaint. We conduct our investigations and reach our conclusions without interference from anyone else.

In doing that, we don't replicate the work of the courts. Whilst statutory, our scheme is intended to provide swift outcomes to disputes between business and the customers, with a minimum of formality. We're impartial, and we don't take either side's instructions on how we investigate a complaint. We conduct our investigations and reach our conclusions without interference from anyone else. But in doing so, we have to work within the rules of the ombudsman service, which include our jurisdiction.

Before I can consider the merits of a complaint, I'm required to consider whether all or part of the complaint is within jurisdiction. I've reviewed my decision dated 8 April 2026 and, having done so, I am not minded to change my conclusions about which parts of the complaint we are able to consider, and which parts do not fall within the jurisdiction of our service.

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

It's important to remember that the mortgage, as a BTL, is unregulated; it is a commercial transaction. An enterprise engaging in commercial activity, such as Mrs G is doing here, is held to a different standard, and is not covered by the regulatory protections that apply to residential mortgage borrowers.

Where there's a dispute about what happened, and the available evidence is contradictory and/or incomplete, we reach our conclusions on what is most likely to have happened on the balance of probabilities. That's broadly consistent with the test used by the courts in civil cases.

It's for us, rather than the parties to the dispute, to decide what evidence we need to reach a fair outcome. It's also for us to assess the reliability of evidence, from both sides, and decide how much weight should be attached to it. When doing that, we don't just consider individual pieces of evidence in isolation. We consider everything together to form a broader opinion on the whole picture.

Our Investigator summarised Mrs G's complaint into three sub-headings. However, one of those - how Pepper handled a COVID-related payment holiday - was a matter I've subsequently found to be out of jurisdiction. I've taken the same approach when addressing the two matters that remain, and in doing so used broadly the same sub-headings that the Investigator used, but with the added caveat of the period I can consider.

The fairness or otherwise of the interest rate Pepper has applied to the mortgage since 21 December 2023

My starting point here is the mortgage contract. This started in 2018 and the interest rate was fixed for 60 months. Once the initial fixed rate ended, in June 2023, so before the period I'm able to consider, the offer said the rate would revert to a variable rate set by reference to the then London Inter-bank Offered Rate (LIBOR). LIBOR was succeeded as the reference rate in 2021 by the Sterling Overnight Index Average (SONIA).

I've looked carefully at the rate(s) Pepper has been charging on Mrs G's mortgage since 21 December 2023. Having done so, I'm satisfied they're consistent with what the mortgage contract permits, and therefore fair. Pepper is what is known as a closed lender; that is, one that doesn't offer new interest rate products to its borrowers. That's something that the FCA permits; there's no obligation for Pepper to offer new rates, and it isn't treating Mrs G differently from its other customers in broadly similar circumstances.

#### Pepper's treatment of Mrs G, including the extent to which forbearance and/or payment arrangements have been offered since 21 December 2023

Whilst I can only consider events since 21 December 2023, it's important to remember that Pepper's decision-making during the period after that date will have been influenced and informed by the history of the mortgage, and Mrs G's conduct of it prior to that date. The broad context of that is that the mortgage account has been in arrears since 2019. At the time of Pepper's submission to this service in September 2025, the arrears totalled around £66,000, the last payment towards the arrears had been in May 2023, since when only partial payments have been made.

It's against that background that I have to assess the decision Pepper made, and the actions it took, after 21 December 2023. Viewed in that context, I can't in all fairness find that Pepper acted unreasonably. The most recent income and expenditure analysis Mrs G provided was in early 2024, and the information therein didn't suggest the mortgage payments were affordable, or that there were reasonable steps Pepper could take that might make them affordable. One such step that was addressed in the 2 September 2025 final response was capitalisation of arrears.

Capitalisation of arrears is one of a number of forbearance options that a lender might consider offering a borrower in financial hardship. But it's not something lenders are required to agree to; capitalisation increases the mortgage account balance and the contractual monthly payment (CMP) and lenders should not commit borrowers to higher payments that might not be affordable. So it's an onerous concession, and lenders' policies typically reflect that. I haven't seen anything in the evidence from either party here to conclude that Pepper should have had confidence in Mrs G's ability to maintain the higher CMP that would result from capitalisation of arrears.

I've already explained why, once the LPA Receivers were appointed, any act or omission on their part falls outside the jurisdiction of the service. But I can consider if Pepper was justified in appointing the Receivers. Overall, I think it was. As I've outlined, the mortgage had been in arrears for close to six years, the amount of the arrears was rising rather than falling, and the situation showed no signs of improving. As for potentially standing down the LPA Receivers at some future point, that would rely on much more than just whether arrears were cleared, always assuming that could happen. Pepper would need to think about what is likely to happen next, and to have confidence in Mrs G's ability to keep to her contractual obligations going forward. Aside from anything else, Pepper would wish to avoid having to re-instruct LPA Receivers if things went awry again soon after.

That begs the question of what happens next. I don't know what Pepper's (or the LPA Receivers') intentions are regarding the mortgaged property. But clearly enforcement of the security is something to consider as a next step. It's important to explain here that

lenders will generally agree not to pursue recovery action whilst we look at a complaint, but they don't have to and we can't force them to.

If the Financial Ombudsman Service had that power it would undermine our impartiality between the parties to a complaint. It would also create the potential for complainants to use our service to bring complaints with the intention of having any legal action put on hold, thereby obstructing businesses that were trying to take action through the courts to recover money legitimately owed by the complainants.

I do not wish to alarm Mrs G but I would not want her to be under any misunderstanding that we would tell Pepper that it must delay recovery action in the event of any new complaint being raised about the mortgage. It is a matter for a court to decide whether it is appropriate to adjourn or suspend any legal action, not this service.

I know this isn't the outcome Mrs G wanted. She is faced with the prospect of losing her investment property. It might help her to have some advice from an independent financial adviser to discuss her options.

### **My final decision**

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

My final decision concludes this service's consideration of this complaint, which means I'll not be engaging in any further discussion of the merits of it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 11 May 2026.

Jeff Parrington

**Ombudsman**