

The complaint

Mr and Mrs S complain that Elderbridge Limited has asked them to pay legal fees it says they owe on their second charge secured loan. They say it has left it too late to ask them to pay these fees and so the fees are statute-barred.

What happened

Mr and Mrs S had a secured loan with Firstplus which was transferred to Elderbridge in January 2016. In April 2019 they received a letter saying that an “historical legal cost” of £1,401.20 had been added to the loan balance.

In March 2025 Mr and Mrs S asked Elderbridge for evidence of where this cost had come from. In June 2025 Elderbridge sent them copies of four invoices for solicitors’ fees dated 2011 and 2012 relating to possession proceedings.

Mr and Mrs S said that the possession proceedings were dismissed, and they weren’t clearly told at the time that they would be responsible for paying Firstplus’s solicitors’ fees. They complained it was unfair that they were asked to pay those fees several years later in 2019. They also said the fees are statute-barred given that they weren’t paid or acknowledged within six years of the dates on the invoices, and so Elderbridge can’t ask them to pay them.

Elderbridge apologised for its delay in responding to Mr and Mrs S’s correspondence querying the debt and offered them £20 compensation. It said it didn’t consider the loan balance statute-barred because Mr and Mrs S had been in regular contact with it in recent years and had last made a payment the previous month, in July 2025.

Our Investigator didn’t recommend that the complaint should be upheld. Mr and Mrs S didn’t accept that conclusion, so their complaint has been referred to me to decide.

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.

Having done so, I’ve come to the same overall conclusion as the Investigator, for much the same reasons.

The fees Mr and Mrs S have complained about relate to legal action Firstplus took in 2011/2012 to recover the mortgage debt. I haven’t seen copies of any correspondence sent to them about legal costs at the time. However, I have seen a copy of a letter Elderbridge sent to them about these costs in April 2019. The letter said:

“We have applied historic legal costs of £1401.20 that were incurred through litigation to your loan, resulting in an increase in the balance due. You have been advised by the solicitors acting of the proceedings that were undertaken and warned that you would be responsible for the costs.

We would also like to advise you that when financial difficulties were encountered, the decision was taken to stop applying compound interest to the balance of your loan. This meant that whilst your loan remained interest bearing, the interest was kept separate and would only become payable once your total capital balance had been repaid.

This was advantageous to you, as every payment you made to the outstanding capital balance, reduced the amount of interest you were accruing and therefore enabled you to repay your liability quicker. The interest amount has today also been applied to your account.

Your loan balance is now £19,145.86, your contractual monthly payment remains unchanged however you will not be charged any further interest on this balance. We estimate that if payments continue as they are your loan balance will be cleared 47 months sooner than the expected maturity date.”

I think there was enough information in this letter for Mr and Mrs S to have realised at the time that legal costs had been added to their loan in 2019 and what that meant for their loan balance. Elderbridge’s records show that Mr S discussed the letter in a call with it in September 2021. But Mr and Mrs S didn’t make a complaint about these costs until 2025. As our Investigator explained, part of their complaint therefore falls outside the time limits I must apply. However, I have considered whether the addition of the legal fees to the loan in 2019 resulted in lasting unfairness in the relationship between Elderbridge and Mr and Mrs S. I don’t think it did.

The lender was contractually entitled to ask Mr and Mrs S to pay costs it reasonably incurred in seeking to recover the loan debt, such as legal fees. It was also entitled to charge interest on any such costs which were added to the loan. The costs in question here were legal fees which weren’t applied to Mr and Mrs S’s loan at the time they were incurred, in 2011 and 2012, because of the financial difficulty Mr and Mrs S were in at that time. The lender treated the fees in the same way as it treated interest at around that time, by not adding them to the main loan balance. This meant that interest wasn’t added to the fees and so the loan balance didn’t increase by as much each month as it would otherwise have done.

By applying the fees to the loan in March 2019 Mr and Mrs S were therefore charged less than they would have been if the fees had been applied in 2011 and 2012, because no interest was added to them between 2011/2012 and 2019. Elderbridge did not then apply any interest to the balance after April 2019. I find no basis on which to conclude that this approach led to any unfairness.

I’ve considered Mr and Mrs S’s argument that the legal fees are statute-barred and Elderbridge can’t therefore recover them, but I don’t agree. Mr and Mrs S have referred to CONC – which is the part of the Financial Conduct Authority’s (FCA) Handbook dealing with regulated consumer credit lending. That’s not relevant to this loan, because it’s an unregulated second charge secured loan (it was taken out in 2006 for just over £50,000) – so the regulatory rules that apply to regulated consumer credit don’t apply, and nor do the regulatory rules for regulated mortgages. The wider FCA Principles do however apply, and they include a requirement that Elderbridge as Mr and Mrs S’s lender must treat them fairly. I haven’t seen anything to suggest that Elderbridge hasn’t treated Mr and Mrs S fairly in seeking to recover the legal costs from them in the way it has.

The Limitation Act 1980 doesn’t change my view about that. The Act sets out time limits for court cases, including a 12-year time limit for repossession of a property from the last time a debtor acknowledges the debt and makes payment towards it. I don’t think it’s relevant here, because in this situation Elderbridge was relying on a term in the mortgage contract (which still existed) to recover the fees, not taking legal action to recover a debt. The Limitation Act

only deals with court action, not contractual indemnities. It's for the court rather than the Financial Ombudsman Service to regulate court proceedings, including limitation periods. In any case, Mr and Mrs S have been making payments to their loan, and their loan with Elderbridge is just one loan – the legal costs aren't a separate loan and they didn't arise in connection with a separate loan. I think it's therefore difficult to see how Elderbridge could be time-barred from recovering those costs. Mr and Mrs S will however be able to make their argument in court if Elderbridge takes repossession proceedings, although they should consider taking legal advice first.

In all the circumstances, I don't find that I can fairly say the way Elderbridge or the predecessor lender dealt with the legal fees created any lasting unfairness between Elderbridge and Mr and Mrs S. I also think that, if there were any unfairness, Mr and Mrs S had the opportunity to mitigate that in 2019 or soon afterwards – by raising their concerns with Elderbridge or by making a complaint if they thought they were being treated unfairly.

Elderbridge has offered Mr and Mrs S a payment of £20 for the time it took to provide them with evidence of how the legal costs had arisen after they asked in March 2025. They received copy invoices in June 2025 and while I note that Mr and Mrs S chased the matter up and feel they were inconvenienced, I wouldn't necessarily expect Elderbridge to have had the documents available within a few weeks given how old they were. I think £20 is a fair offer for the impact of the delay.

For these reasons, while I realise this isn't the outcome Mr and Mrs S were hoping for, I don't uphold this complaint.

My final decision

My final decision is that Elderbridge Limited has made a fair offer. It should pay Mr and Mrs S £20 if it hasn't done so already and if they accept my decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S and Mr S to accept or reject my decision before 7 May 2026.

Janet Millington
Ombudsman