Financial Ombudsman Service

complaint

Mr and Mrs L complain that JPMorgan Chase Bank, N.A. (JPMorgan):
- applied excessive fees and charges to their mortgage account between 2008 and 2016;
- these charges have inflated the amount that they now owe on their mortgage and have been used to justify taking legal action against them by their new lender; and
- forced them to pay for insurance without explaining what cover was provided and by whom, or the level of premiums that needed to be paid.

Mr L has managed the complaint throughout.

background

In 2006 Mr and Mrs L took out an interest only mortgage for around £165,000 over 20 years with lender A. In 2008 the mortgage was transferred to JPMorgan. In December 2016 the mortgage was transferred to another lender, lender C.

Mr and Mrs L's mortgage was in arrears for the whole period it was owned by JPMorgan.

In late 2017 Mr and Mrs L complained to JPMorgan. Mr L had read that compensation had been paid by some businesses for unfair treatment of customers in arrears. He thinks this may be relevant to his complaint and he thinks he's paid excessive fees and charges on his mortgage over the years. Mr L also queried whether it was fair that he'd been charged for buildings insurance by JPMorgan.

JPMorgan issued a final response on 27 November 2017. It didn't uphold Mr and Mrs L's complaint. It said most of the fees, around £4,600, had been applied before 2010 and that Mr L was complaining about these fees too late. But it did say that these fees had all been charged in accordance with the mortgage's terms and conditions, and its tariff of charges. More recently there had been field agent visit fees and legal fees charged to the mortgage but JPMorgan said these were genuine costs incurred by third parties and said it had been entitled to charge these to the mortgage account.

JPMorgan said it had been entitled to look at taking further legal action against Mr and Mrs L in 2011. It had looked to repossess the property after Mr and Mrs L broke the conditions of a suspended possession order agreed in court on 15 September 2009.

JPMorgan said it was able, under the terms and conditions of the mortgage account, to charge Mr and Mrs L buildings insurance premiums from September 2014 to June 2015. This was because Mr and Mrs L hadn't been able to provide satisfactory evidence that they'd taken out buildings insurance of their own for the mortgaged property during this period of time.

Mr and Mrs L were unhappy with JPMorgan's response. They asked us to investigate their complaint.

Our investigator looked at the fees, charges and insurance premiums applied to the mortgage account from January 2011. He thought JPMorgan had acted reasonably in applying charges when it had.

I issued a decision setting out why we couldn't look at any fees or charges that were applied before 1 January 2011. This was because JPMorgan wouldn't give consent for us to look at any charges before this date, and according to our rules, Mr and Mrs L were complaining too late about fees and charges before this time.

Mr L disagreed with our investigator's findings and replied to say:

- he thinks the insurance charges were made without offering details of the companies used or how the premiums were calculated - they were simply added because of a ''condition'';
- he considers the other fees, such as for arrears, are excessive and don't match the true cost of work that was done.

Mr and Mrs L asked that an ombudsman consider their complaint.

my findings

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

Mr L has explained that the last few years have been difficult and that he and Mrs L have struggled to pay their mortgage.

Mr L has complained that the charges JPMorgan applied to his mortgage account are excessive. I've looked at what fees and charges have been applied to the mortgage from 2011 to 2016 – at the point the loan was transferred to another lender.

Mr and Mrs L have also complained about the actions of their current mortgage lender, lender C and its decision to take legal action. This has been looked at as a separate complaint brought against lender C.

I've looked at the mortgage notes from 2011 to 2016 to see how much dialogue there was between JPMorgan and Mr and Mrs L. I've also thought about what steps JPMorgan should and could reasonably have taken to try to help Mr and Mrs L with their financial difficulty over this period of time.

There have been around 13 charges applied for late payments during this period (from 2011 to 2013) as well as charges for attempted visits by field agents. Legal fees have been applied in 2011/12 following the failure to stick to a payment arrangement reached in court.

late payment fees

In a situation where a mortgage has been in longstanding arrears, I'd expect JPMorgan to be proactively trying to contact Mr and Mrs L. JPMorgan has recorded the attempts it made to speak with Mr and Mrs L. I'm satisfied that its records show that it made reasonable efforts to find out what was happening with Mr and Mrs L's financial situation and that it tried to contact Mr and Mrs L to set up affordable payment arrangements to help them get back on track with their mortgage payments.

JPMorgan's said that it charged late payment fees of £40 if a monthly payment had been missed. It wouldn't apply a fee is the full monthly payment was made or if Mr and Mrs L were in a payment arrangement and were keeping to the arrangement. I've looked back at all Mr and Mrs L's mortgage statements to check each instance in which JPMorgan has charged a late payment fee. On each occasion the payments made have been made late or have been made for less than the payment that was due. I'm satisfied that the fees have been fairly applied and have been charged in line with the mortgage tariff.

I appreciate that Mr L feels the level of fee doesn't represent value for money. I've thought about the level of JPMorgan's fees for missed mortgage payments over the period of the complaint and I've thought about the effort that JPMorgan has put into trying to contact Mr and Mrs L about their longstanding arrears. I don't consider these late payment fees to be out of line with comparable lenders' fees in the industry and I'm not persuaded that it was unreasonable for JPMorgan to charge them in this case over the period I've considered.

field agents

JPMorgan says it sent field agents to Mr and Mrs L's property on three separate occasions in 2013, 2014 and 2016. On all three occasions the mortgage arrears had reached nearly £2,000. JPMorgan's said it arranged the visits because it was struggling to make contact with Mr and Mrs L about repaying their mortgage arrears and they weren't in an agreed repayment arrangement. It's said it wanted to find out more about their financial circumstances and how it could help them get their mortgage back on track.

We've seen copies of the letters sent to Mr and Mrs L before each of these visits were planned to take place. The letters say how much the charge for the field agent visit was, and how Mr and Mrs L could prevent a visit - if they got in touch with JPMorgan.

I think JPMorgan followed a reasonable process regarding the field agents' visits. Mr and Mrs L didn't get in touch with JPMorgan in the run up to the planned visits to discuss their mortgage or try to prevent the expense being incurred. I think it's reasonable in these three instanced that JPMorgan charged the fee to Mr and Mrs L's mortgage for the field agents attempted visits.

legal fees

In 2011 Mr and Mrs L fell behind with the payment arrangement that had been reached in court two years earlier. JPMorgan was considering enforcing its possession order - until Mr and Mrs L made an overpayment to the mortgage. JPMorgan has said this is why it sought legal advice. I think JPMorgan had a genuine need to take legal advice when it did and I think it's reasonable that the cost of this advice was passed to Mr and Mrs L's mortgage account in the circumstances of this case.

lenders interest only insurance

There have been times when Mr and Mrs L have been charged for Lenders Interest Only buildings insurance. This was then refunded by JPMorgan when they later were given proof that satisfactory buildings insurance had been taken out by Mr and Mrs L directly for a period of time.

It was a requirement of the mortgage loan that Mr and Mrs L's property was insured at all times and that proof of this was passed to JPMorgan.

We've been shown copies of the letters sent to Mr and Mrs L about the lenders only insurance cover. These letters include comments about the level of cover, who would benefit from the cover, why it was needed and how much it cost on a monthly and annual basis. I consider that JPMorgan made it reasonably clear to Mr and Mrs L what cover was needed, why, and how much this would cost.

I think it's reasonable that JPMorgan arranged insurance cover to protect its own interests if Mr and Mrs L didn't provide evidence that they had met this condition of the mortgage. I also think it's reasonable that JPMorgan passed the cost of its cover to Mr and Mrs L for periods when this requirement hadn't been met. This was a genuine cost to JPMorgan of Mr and Mrs L not meeting a condition of the mortgage loan.

JPMorgan has refunded the cost of the lenders insurance where Mr and Mrs L have provided proof they had their own buildings insurance in place. And this seems fair- there should be no need for Mr and Mrs L to have paid for buildings insurance twice.

The only period that JPMorgan says it hasn't refunded the insurance premiums is from September 2014 to June 2015. JPMorgan has said that if Mr and Mrs L show it they had their own adequate insurance cover in place to meet the terms of the mortgage for this period, it will refund the cost of this insurance. It says this evidence hasn't been provided before. I think this seems fair in the circumstances.

I appreciate the argument that Mr and Mrs L have made about the insurance being arranged without offering them details of the companies used or the level of cover. However, I wouldn't expect JPMorgan to have consulted with Mr and Mrs L about the type of insurance it wanted in place and which insurer might be best placed to provide this cover. Lenders Interest Only insurance protected JPMorgan's interests as the lender in the event of a secured property being uninsured or underinsured. JPMorgan wasn't helping Mr and Mrs L find an insurance policy that they would be happy with. If Mr and Mrs L weren't happy to pay for JPMorgan's cover, this could be avoided by providing evidence of their own building insurance arrangements.

I know my decision will be a disappointment to Mr and Mrs L. However, for the above reasons, I don't uphold Mr and Mrs L's complaint.

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 and Mrs L to accept or reject my decision before 24 February 2019.

Emma Peters
ombudsman