

## **complaint**

Mr R's raised a complaint on behalf of his company, which I'll call Q.

Q is concerned that The Mortgage Works (UK) Plc ("Mortgage Works"):

- Failed to change the name and address of Q, even though it had promised to do so to resolve a previous complaint.
- Didn't accept repayment of a debt by cheque when it should have done, and provided an incorrect reason for the action it took.
- Sent information to Q's accountant rather than the company.
- Issued a redemption certificate that was unclear and levied a fee for changing a direct debit, which it did incorrectly.

## **background**

Q had four loans with Mortgage Works. It had previously complained that Mortgage Works held incorrect details for it as it was writing to the company's accountant rather than to the proper address. It had also recorded the company name as one it hadn't used for five years. Mortgage Works had promised to make the necessary changes to its records, but didn't do so.

In early 2016, Q was looking to repay a number of the loans it had with Mortgage Works, but became concerned that it wouldn't accept payment by cheque and queried the charges being applied. Mortgage Works explained it couldn't accept payments from a limited company in a letter sent in April 2016. However, it later told us the reason the cheque hadn't been accepted was because the name on the account was wrong, which meant that it thought it was from a third party.

In May 2016, Q made another attempt to reduce his debts with the intention of repaying loan two in full with any other funds sent to Mortgage Works to be applied to loan four. Mortgage Works used the funds to repay loans three and four, with the remaining amount reducing loan two to around £200 after fees were applied.

Q was told the fee being applied was to make a change to the direct debit so Mortgage Works would take £1,200 instead of the usual monthly amount. However, it later said this wasn't the case.

Mortgage Works issued a number of arrears letters to Q, but it sent them to Q's accountant rather than the address it had previously been asked to use. Q has explained this caused a strain on its relationship with the accountant, who found he had to keep forwarding letters on.

Our adjudicator considered the complaint, and didn't think Mortgage Works had acted reasonably. He didn't think it was fair for it to expect Q to request its address be changed, in writing, when the details held had originally only changed because of a mistake Mortgage Works itself had made. He also pointed out that a formal complaint had previously been raised about this.

He also said he didn't think it was fair for Mortgage Works to charge Q for changing the direct debit when the change would lead to a further mistake being made.

Overall, he recommended Mortgage Works should update the address; backdate interest and charges on loan 1 to 1 April 2016, by which time the initial failed payment attempt had been made; write-off the balance owed on loan two; and pay £800 compensation for the inconvenience caused.

Mortgage Works didn't agree. It agreed loan one should be re-worked, and agreed to change the address. But it didn't agree to write-off the balance from loan two, saying the charge wasn't just for the direct debit. It also offered to pay £400 for the inconvenience caused.

Q didn't accept the counter-offer, and the complaint was referred to an ombudsman for a final decision.

### **my findings**

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

#### *the name and address and the impact on loan 1*

Q complained to us previously that Mortgage Works held incorrect information about it. But when this matter was resolved, Mortgage Works didn't then update its records. It still said it needed consent from Q even though it had already received a formal complaint asking it to make sure the information it held was correct.

The company name was also incorrectly recorded, which led to Q not being able to repay loan one when it wanted to do so.

I don't think Mortgage Works has acted reasonably, and it hasn't provided clear information to its customer. It's good that it's agreed to re-work the loan, but it hasn't been clear in its communication with Q, causing delays in it being able to pay the debt and increasing the amount of interest it could have been asked to pay.

Mortgage Works has now told us it's going to change the address it holds for corresponding with Q. But the address it intends to write to is also incorrect, as the house number is wrong. Mortgage Works should ensure it uses the address on the complaint form.

#### *repayment of loan 2*

When Q asked for a redemption figure for loan two, it's clear it wanted to repay the loan for any additional funds sent to be used to reduce loan four. Instead, Mortgage Works used the funds to repay loans three and four before reducing the liability on loan two.

Although loan four carried a higher rate of interest, I don't see why Mortgage Works didn't carry out the instructions it was given. Had the funds been assigned as instructed it seems loans two and four would have been repaid with some reduction of loan three. Loan three attracted interest at the same rate as loan two, so there probably wasn't a loss suffered, but this does show Mortgage Works wasn't carrying out the instructions it was given and I can't see that it's explained why it chose to do this.

Mortgage Works also applied an administration fee to loan two of £140, taking the outstanding debt to approximately £210. It told Q this fee was charged because it was

changing the direct debit so it would take around £1,200 instead. Given the outstanding amount was £200, I can't see why it would increase the direct debit amount in this way as it far exceeded the amount owed.

Mortgage Works later explained the fee was actually for something else, and was covered in its terms and conditions. But it didn't send a copy of these to us to support its position. Even if the fee was for more than changing the direct debit, this still isn't what Mortgage Works told Q.

#### *arrears on loan 2*

Q has shown it's now receiving arrears letters in relation to loan two, saying there are arrears of over £7,000. I fail to see how a debt of £210 could fall into arrears by £7,000 within 6 months.

It appears Mortgage Works has been using the same account number on various letters discussing different loans. So it's possible Mortgage Works is referring to loan one, but it told Q that account number related to loan two when it wrote to it in May 2016. It's also possible there might be one facility number covering all the loans, but if this is true Mortgage Works hasn't told us.

#### *resolving the complaint*

The service Mortgage Works has provided to Q hasn't been of the standard I'd expect. The information it provided has been either incorrect or mis-leading, and it hasn't complied with the legitimate instructions it received.

In relation to loan one, Mortgage Works should have accepted the payment made at the start of the year. Therefore, it should recalculate the amount owed on that loan to put it back in the position the account was in as of 1 April 2016. Q has said it will be able to pay the debt within two weeks of this happening. So, in light of the problems encountered, I think Mortgage Works should send Q a redemption figure as of 1 April 2016, and give it two weeks to repay the debt before any further interest accrues.

As it's unclear what the fee applied to loan two is actually supposed to relate to, it isn't fair to expect Q to pay it. Before the fee was applied the outstanding amount owed was £70.05. Like the adjudicator I think it would be fair for the fee to be waived and for the remaining debt on that loan to be written-off, without any adverse information about the write-off being recorded.

Mortgage Works should also make sure it uses the correct company name and address, as it's been instructed to, when it corresponds with Q. For the avoidance of any further doubt, this is the name and address provided on our complaint form.

Turning to the inconvenience the company has been put to, it's been significant, and I agree £800 is a suitable figure for Mortgage Works to pay in recognition of this.

#### **my final decision**

My final decision is that to resolve this complaint, The Mortgage Works (UK) Plc should:

- Put loan one back to its 1 April 2016 position, and give Q two weeks to repay the debt without applying further interest.
- Write-off the debt on loan two.
- Not report any adverse information about loans one and two, and remove anything that's been reported since 1 April 2016.
- Ensure it properly records Q's correct name and address.
- Pay Q an additional £800 in compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Q to accept or reject my decision before 22 December 2016.

Ashley L B More  
**ombudsman**