

complaint

The complaint concerns a mortgage that Mr and Mrs K have with NRAM plc (formerly Northern Rock (Asset Management) plc) ("NRAM"). Mr and Mrs K complain that NRAM has responded unreasonably to arrears caused by the way in which the Department of Work and Pensions (DWP) has contributed to the mortgage.

background

Mr and Mrs K have a mortgage with NRAM. For some time the DWP has paid amounts of Pension Credit to NRAM in respect of the mortgage. The DWP payments vary in value depending on Mr and Mrs K's circumstances, and are not made on the same calendar-month cycle as the contractual mortgage repayments.

In February 2013 the mortgage went into arrears of over £100. It was also in arrears at the end of April, May and June 2013. The arrears at the end of June were close to £200. In June 2013 Mr and Mrs K were contacted by NRAM and agreed to increase the value of their direct payments to cover the shortfall that had developed.

During that discussion Mr and Mrs K learned that in early 2012 NRAM had changed the monthly mortgage payment date. Mr and Mrs K asked for the date to be changed back. NRAM pointed out that this would mean two payments falling due close together, and Mr and Mrs K accepted that. The change in fact led to three mortgage payments falling due within just over four weeks, and despite the higher direct payments the arrears reached over £400. The monthly due date was then changed back again. The mortgage was in arrears of just under £200 by the end of October 2013.

Mr and Mrs K complained to NRAM in July 2013 that they should not be in arrears because their direct payments over a year, together with DWP's contributions, added up to more than the contractual mortgage payments. Mr and Mrs K also complained that NRAM had behaved rudely in a phone call about the mortgage in July. NRAM did not uphold the complaints and Mr and Mrs K complained to us.

Our adjudicator thought that the arrears on the account were linked to NRAM's decision to change the payment date. He proposed that as long as Mr and Mrs K continued to make their agreed direct payments into the mortgage, NRAM should not take action against them because of arrears caused by irregular DWP payments.

NRAM disagreed with the adjudicator's view and asked for an ombudsman to review the case. I issued a provisional decision and invited comments from Mr and Mrs K and NRAM. I have taken their comments into account in my findings and final decision below.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

In my view arrears began to mount up on the mortgage account from February 2013 because the DWP payments had reduced in value. When they were taken together with Mr and Mrs K's on-going direct payments, the total began to fall short of the amount needed to cover the contractual amounts due. The irregular timing of the DWP payments made things worse - for instance, the DWP made no payment in February 2013 – and may also have made it difficult for Mr and Mrs K to understand what was happening.

NRAM raised the shortfall problem with Mr and Mrs K in June 2013, and as a result they increased their direct payments. From that point, the combined total of the direct payments and the DWP contributions exceeded the total amount contractually due. However, these payments have not cleared the previous arrears and that, together with the irregular timing of the DWP's payments, has led to further arrears. Mr and Mrs K have found this confusing, given the value of the payments that are now being made towards the mortgage.

Changes to the monthly mortgage payment date in February 2012 and between July and September 2013 confused things further. The changes resulted in higher arrears for a period in July and August 2013. However, overall I do not think the changes had a material effect on Mr and Mrs K's position, since Mr and Mrs K continued to make the same monthly payments throughout. So I have not looked in detail at who was responsible for the problems the changes caused. I simply note that NRAM did not seem to give Mr and Mrs K clear notice of the 2012 change, but did advise them about the implications of changing the date again in 2013.

In this context I have considered what would be a fair and reasonable outcome. NRAM says that it is not responsible for problems caused by the way in which the DWP contributes to the mortgage. In my view that is right. NRAM is responsible for making sure Mr and Mrs K know what is due each month towards the mortgage.

In turn, Mr and Mrs K are responsible for making sure the right amount is paid *each month*, whether directly by them or by the DWP. In practice Mr and Mrs K are currently relying on the fact that *over the course of a year* their direct payments, together with the payments they expect from the DWP, should cover the amount due. That creates a risk of falling into arrears in any given month, depending on what payments the DWP makes and when.

That said, I find that NRAM could have been more helpful in the way it communicated with Mr and Mrs K during 2013. NRAM's records show that Mr and Mrs K were continuing to make direct payments as usual, and that the reducing and irregular DWP payments were causing the arrears.

Mr and Mrs K would have been better placed to deal with the arrears if NRAM:

- had raised with Mr and Mrs K earlier than June 2013 its concern that arrears were developing for that reason; and
- had worked with Mr and Mrs K to ensure that as well as increasing their direct payments to cover future payments, they made arrangements to clear the existing arrears.

On balance I do not find NRAM's conduct unreasonable to a degree that justifies upholding Mr and Mrs K's complaint. But I remind NRAM of its obligation to deal fairly with consumers in arrears. I note that Mr and Mrs K did not miss any direct payment during 2013, and that they increased their payments promptly when NRAM pointed out the shortfall.

I note also that in their response to my provisional decision, Mr and Mrs K have said they feel that "*for two weeks they are not in arrears then two weeks they are*", and that when further arrears occur "*NRAM threaten them with bad credit history*". This suggests there is still more NRAM can do to improve the way in which it communicates with Mr and Mrs K about what they need to pay under the mortgage.

I encourage NRAM and Mr and Mrs K to agree a suitable way forward to clear any existing arrears, and to manage the risk of future arrears arising from the way in which the DWP contributes to the mortgage.

my final decision

For the reasons set out above, my final decision is that I do not uphold this complaint. I make no order or award against NRAM plc (formerly Northern Rock (Asset Management) plc).

Tony Stafford
ombudsman