

## **complaint**

Ms K complains that Catalyst Housing Group Limited will not allow her to buy out its interest if she pays the original value of the loan.

## **background**

Ms K has a repayment mortgage with another lender and an equity loan with Catalyst on her house. She believes that as it is a loan she should be able to redeem the Catalyst loan by paying off the original amount borrowed. Catalyst says that as it is an equity loan any redemption is related to the value of the house at the date of redemption. Our adjudicator did not recommend that this complaint should be upheld as Ms K should have been aware of how this type of loan worked. Ms K disagrees saying in summary that Catalyst should not have an interest in the equity of her house.

## **my findings**

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

Ms K says that she has a loan with Catalyst but the way it operates is unfair and she only recently became aware of how it worked. She pays interest which increases every year. Ms K believes that if she pays off the interest on the loan, the amount owed should remain constant at the original money borrowed. But she says that if she wants to pay off the loan, she will have to pay according to the value of the property as it is today. Ms K says that Catalyst is acting as if it is the part owner of the house but she says she pays for all the repairs and home improvements. Ms K also says that she has found in the council list that her payments to Catalyst are called rent but that Catalyst calls them interest payments.

Catalyst says that Ms K should have been aware of how this equity loan operated as when she took out the loan, it provided her with a number of documents setting this out. These documents include a HomeBuy Information and Registration pack, the Equity Mortgage Agreement and a Personal Worked Example. It also says that Ms K was legally represented when she took out this mortgage.

I have inspected the documentation which Catalyst supplied to Ms K at the time she took out the mortgage. In my view these documents fairly set out how this type of loan is meant to operate. For example the Personal Worked Example sets out how Ms K's specific loan works and says that *"if you decide to redeem the equity mortgage you will pay back 49.1% of the market value."* I appreciate that this is not how some other loans work and not the way Ms K now would like it to work. But these were the terms on which Catalyst was willing to lend Ms K the money to buy the house. Ms K accepted those terms. Ms K says that she did not understand the paperwork as English is not her first language. But I note that Ms K very clearly sets out the basis for her complaint. If she had a difficulty at the time with the paperwork I believe she should have looked for assistance including from her solicitor. So, I don't believe I can fairly alter the terms of the loan which both Catalyst and Ms K accepted at the time and I do not uphold this complaint.

**my final decision**

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms K to accept or reject my decision before 10 October 2016.

Gerard McManus  
**ombudsman**