

complaint

Mr and Mrs B complain that Virgin Money plc has unfairly increased the monthly payment due on their mortgage.

background

Mr and Mrs B took out their mortgage in 2007. In November 2015, Virgin wrote to them to say that their monthly mortgage payment was increasing. The reasons were

- when the mortgage was taken out in 2007, Mr and Mrs B had not paid the initial interest payment of a little over £200;
- a £35 CHAPS charge had been incurred, as the mortgage funds were sent by CHAPS (at Mr and Mrs B's solicitor's request) when the mortgage was set up. Virgin said this charge was set out in the tariff of charges leaflet, sent with the Offer of Loan; and,
- Mr and Mrs B had incurred various fees and charges during the life of the mortgage.

Virgin agreed not to apply the interest that had accrued on the above sums over the life of the loan, but insisted it was entitled to recover the actual unpaid amounts. The monthly payment increase ensured this would happen before the end of the mortgage.

Initially, our adjudicator thought it was unfair of Virgin to ask for this money so long after it was due. Having reflected further, he changed his mind and explained to Mr and Mrs B that he didn't think Virgin had done anything wrong.

Mr and Mrs B are unhappy at having their expectations raised, and want the complaint looked at by an ombudsman.

my findings

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, and while I do appreciate Mr and Mrs B's position, I cannot reasonably require Virgin to write off the disputed amounts. Here's why.

the CHAPS payment

Mr and Mrs B's solicitors asked that the mortgage funds were sent by CHAPS. The cost of this was set out in the tariff of charges that was sent to Mr and Mrs B, with the mortgage offer.

the outstanding initial payment

When the mortgage was set up in 2007, the bank wrote to Mr and Mrs C to say that

"An initial payment of £226.51 is now due and can be paid to this office, or any of our branch offices. This initial interest amount will not be collected with your normal monthly payment..."

I agree that it would have been helpful if the bank had sent a reminder, but there was no requirement on it to do so. In any event, Mr and Mrs B don't dispute being told about the initial interest. Rather, they say they paid it at the time, by cheque, but there's no record of this. They did send the bank a cheque shortly after completion, but that was for a different reason (and a different amount), and it's showing on their account.

I can't reasonably say that the bank should write off the outstanding initial payment, or the CHAPS payment fee. I'm satisfied Mr and Mrs B were aware that the amounts were payable, even if they'd forgotten they were still outstanding. But I think it's right that Virgin should agree not to charge interest *on* the outstanding amounts.

That leaves the application of other fees and charges in accordance with Virgin's tariff. I've looked at them and don't find they've been applied unfairly.

So my wider conclusion is that Virgin hasn't done anything wrong by asking Mr and Mrs B to pay slightly more each month.

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 B to accept or reject my decision before 15 February 2016.

Jeff Parrington
ombudsman