

The complaint

Mrs B complains that the balance on her second charge mortgage with Blemain Finance Limited, trading as Together, is higher than it should be, and includes fees and charges which should have been refunded.

What happened

Mrs B took out a second charge mortgage, or secured loan, with Blemain (which now trades as Together) in 2007, through a broker. She borrowed £10,000, plus a £1,664 payment protection loan, over a term of 25 years, on a variable interest rate.

On 21 September 2022, Mrs B's daughter made a complaint to Together on Mrs B's behalf. She complained that Together had said Mrs B had an 'off schedule balance' on the loan which Mrs B would need to arrange to repay if the loan were to be cleared by the end of the term.

Mrs B and her daughter didn't think this could be right, and said Mrs B hadn't been made aware of it before. She had understood that any fees and charges had been refunded when a previous complaint was resolved.

Together said the loan balance was higher than expected because of charges and additional interest added over the years due to late or missed payments. It had refunded a number of charges in the past, including in 2010 to resolve a previous complaint and also following reviews of the loan in 2018, 2019, and 2021. However, some charges remained and continued to accrue interest, and other charges had been added.

Together said it had written to Mrs B notifying her each time it made a charge, but it accepted that it hadn't explained the full implications of the 'off schedule' balance until it began including information about this on annual statements in 2018. It therefore refunded additional interest that had accrued on late payments, totalling £1,605.23, plus £221.40 for two charges and interest which it felt it hadn't applied fairly since 2010, and paid Mrs B £100 by way of compensation.

Mrs B referred the complaint to the Financial Ombudsman Service. Our Investigator said he couldn't consider fees and charges applied before September 2016, because Mrs B had left it too long to complain about those. He looked at what had happened since then, and concluded that Together had given a reasonable explanation for the balance and that he couldn't fairly recommend it make any further refunds.

Mrs B didn't accept that conclusion. Her daughter asked for a review, and said there had been no missed payments and Together hadn't explained how the off-schedule balance had been calculated.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and

reasonable in the circumstances of this complaint.

First of all, I agree with the Investigator that time limits apply to this complaint, which mean I can't consider the loan balance and fees and charges applied before 21 September 2016, which is six years before Mrs B made this complaint. There are time limits I must apply to all complaints which are set out in the Financial Conduct Authority's Handbook at DISP 2.8.2R. They say I can't consider complaints made more than six years after the event complained of or, if later, more than three years after the consumer knew, or should reasonably have known, they had cause to complain – unless the business consents or there's a record of the complaint having been received in that period, or there are exceptional circumstances to explain the delay in complaining.

I think Mrs B should reasonably have known about the balance on her loan and the charges that were being added from her annual loan statements and the letters Together sent her each time it added an additional fee or charge. I've seen copies of letters from 2016, as well as more recently, which notified Mrs B of charges and the reason for them. They also said that interest would be added to the charges. Statements set out the loan balance.

Together hasn't consented to us considering the balance and charges before September 2016, and I find nothing to indicate that Mrs B couldn't have complained earlier given that there are records of complaints about other matters during the relevant period. So I can't set aside the usual time limits.

I turn now to the operation of the loan since September 2016. While I recognise that Mrs B and her daughter will be very disappointed, and I can see that Mrs B has been making more than the original contractual monthly loan payment for quite some time and trying hard to manage the loan, I don't find that I can fairly uphold this complaint.

I've looked carefully at the history of the loan, and I'm satisfied that payments have been missed or made late over the years. In 2017, for example, both Mrs B and her daughter had multiple conversations with Together about the loan arrears and how much Mrs B could afford to increase her payments by.

The increased loan balance isn't down to Mrs B paying on the 1st of the month rather than the original contractual due date of the 26th, as Mrs B's daughter has asked about. Together said in its final response to this complaint that it had refunded the extra interest it had charged because of that, and the transaction history I've seen shows that it has adjusted the interest each month to ensure that Mrs B isn't charged extra as a result of making payments on the 1st of the month.

The 'off schedule' balance has arisen as a result of payments which have been missed or made late over many years. When a payment isn't made on time, extra interest is added to the loan for each day the payment is overdue – because the capital balance hasn't reduced as expected. This extra interest rolls up over time. There are also charges for some missed or late payments, and interest added to those. Where, for example, a direct debit was returned unpaid, Together added a fee to the loan which went on to attract interest. The terms of the loan entitle the lender to operate it in this way.

So, even though a number of refunds of fees and interest have been made over the years, the loan balance has nevertheless increased. The Financial Ombudsman doesn't provide an auditing service, and Mrs B and her daughter haven't pointed to any particular charges which have been wrongly or unfairly applied. Having considered the transaction history of the loan, including the refunds during the period I can consider, I find nothing unusual or unreasonable about the amounts added to the loan each month. I also don't think that Mrs B would have been in a position to clear the 'off schedule' balance, had Together included

more information about it on her statements before 2018. The 2017 statement, for example, was clear that the loan balance had increased over the year instead of reducing, but Mrs B didn't increase her payments the following year.

Together has acknowledged that its communication about the 'off schedule' balance could have been clearer and I agree. But, in all the circumstances, I consider that it has paid reasonable compensation for that, including taking account of any confusion or inconvenience arising from this particular issue.

Finally, I was sorry to read that Mrs B's health deteriorated last year. This will affect her financial situation, and I remind Together of its obligation to treat her fairly. If Mrs B is unhappy with the support she receives she may be able to make a separate complaint.

My final decision

My final decision is that Blemain Finance Limited, trading as Together, has taken reasonable steps to put things right. I make no order or award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 6 September 2023.

Janet Millington
Ombudsman