

The complaint

Miss G complains about how Target Servicing Limited has dealt with her request for a form to be completed in order that she can apply for Support for Mortgage Interest.

What happened

Miss G bought her property in 2019 with the assistance of a help to buy loan. Help to buy is a government scheme under which borrowers take out an equity loan to help them buy a property. The loan is a second charge secured against the property, ranking behind the borrower's main mortgage lender's first charge. No payments are required to begin with, and the borrower must start paying interest on the loan after the first five years.

The lender of help to buy loans is Homes England (HE), which is a trading name of the Homes and Communities Agency. This is a government body and is not regulated by the Financial Conduct Authority. HE appointed Target to administer these loans on its behalf. Target is a regulated financial business and was carrying out the regulated activity of debt administration in respect of Miss G's loan – so it is responsible for responding to this complaint.

In January 2022, Miss G phoned Target and said that she had been made redundant the year before, and her health conditions – which she explained include depression and anxiety – made it difficult for her to get a new job. She was worried about how she would afford the payments on her help to buy loan when they were due to begin in 2024. Target discussed how much she would be expected to pay and its arrears procedure.

In March 2022, Miss G began an application for Support for Mortgage Interest (SMI), to help her with her payments on her first charge mortgage. She completed her part of the application. The other parts needed to be completed by her secured lenders so, in line with the guidance on the form, Miss G sent the form to her main mortgage lender and to Target, as the administrator of her help to buy loan, for them to fill in their parts. Target received the form on 28 March 2022, and Miss G told it in a phone call on 30 March 2022 that she needed it to fill in its part of the form in order that she could submit her claim for SMI.

In April 2022, Target asked HE whether it would complete the form. It emailed HE saying: *"We have received a universal credit form from a customer and they are asking us to fill it out, I just want to double check we won't sign these they will have to either sell the property or look for further advise? [sic]"*

HE replied to Target, saying borrowers should be directed to sources of government advice about accessing SMI. Target relayed this to Miss G in May 2022. Miss G explained her situation again and that she had already received advice before starting her SMI application. There followed a number of further, often lengthy, phone calls between Miss G and Target.

Miss G then complained about the way she was being treated. She wanted her SMI form to be completed in order that she could make her claim, or if HE refused to complete its part, she wanted to understand why. She was also unhappy with the poor communication and delays she had experienced from Target.

On 1 July 2022, Target issued its final response. It said, in summary:

- it had escalated Miss G's concerns to HE and was awaiting HE's decision. It had asked HE to explain its reasons if it was unable to fill out the form, and Target would relay this information to Miss G on receipt;
- it was sorry that agreed callbacks hadn't happened, and it accepted that Miss G had repeatedly had to initiate contact;
- it was sorry Miss G had to wait for a long time for calls to be answered; and
- it was paying Miss G £25 by way of compensation.

Miss G heard nothing more, so in December 2022 she referred her complaint to the Financial Ombudsman Service. She said she had been eligible for SMI since March 2022 but Target was stopping her from getting the support she needs, and she didn't know where else to turn.

Following our involvement, Target said it would pay Miss G an extra £75 by way of compensation for its poor service. It also said HE wouldn't sign SMI forms for borrowers because this would mean a further charge being added to properties. It said it was in dialogue with HE about this, and it would support Miss G as much as possible if she is in financial difficulty when her help to buy loan payments start.

Our Investigator thought that this complaint should be upheld. She concluded that Target hadn't treated Miss G fairly and hadn't done enough to support her and explain her situation to HE. She recommended that Target pay Miss G £1,750 compensation in recognition of the impact this matter has had on her.

Target said it had raised this issue again with HE and it would come back to our Investigator. It didn't then do so, despite reminders.

Miss G said she was still very worried about her situation, and she had received a letter saying the administration of her loan was being transferred from Target to a new provider.

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.

Having done so, I've come to the same overall conclusion as our Investigator, for the same reasons.

Miss G told Target in January 2022 that she was worried about her financial situation. She went on to take advice elsewhere and looked into what support might be available to her. She decided to apply for SMI once she became eligible to do so.

SMI is paid as a loan, to help mortgage borrowers pay the interest on their mortgages. It is to be repaid, with interest, on the sale or transfer of ownership of the mortgaged property. In order to apply for SMI, the applicant's mortgage and secured loan lenders are required to complete part of the applicant's application form. The Department for Work and Pensions would then consider an application.

Target received Miss G's form in March 2022, and Miss G explained to it in multiple phone calls that she needed it, or HE, to fill in its part of the form in order that she could proceed with her application. Her main, first charge mortgage lender filled in its part quickly. But the part of the form for her help to buy loan still hasn't been completed, and as a result Miss G is no further forward with her SMI claim. Target has told us that HE won't sign the form.

Help to buy is a government scheme intended to help people buy their own homes. Yet it appears that HE, a government agency, won't allow help to buy borrowers to apply for government support through SMI when they find themselves in financial difficulty. Target has told us this is because an SMI loan would result in a further charge against the security property. However, that charge would rank behind a borrower's main, first charge mortgage and also behind their second charge, help to buy loan with HE.

HE isn't a regulated financial business, so I don't have jurisdiction over it. I can't therefore require it to give Miss G the consent she needs in order to go ahead with her SMI application, or require it to explain its reasons for refusing to do so.

Target, on the other hand, is regulated. It acted as administrator for this loan and, in doing so, it was carrying out the regulated activity of debt administration. Miss G was told to deal only with Target, as the lender's administrator, and Target was presented as being responsible for the management and administration of her help to buy loan agreement. As a regulated business carrying out a regulated activity, Target had a duty to act fairly and reasonably in carrying out the lender's duties. I don't consider that it fulfilled that duty in this case.

While the decision not to complete Miss G's SMI application form – and thereby prevent Miss G from accessing the support she needs and to which on the face of it she is likely to be entitled – was HE's and not Target's, I don't find that Target's treatment of Miss G was fair and reasonable in all the circumstances. I've taken that view after reviewing Miss G's contact with Target, including recordings of her phone calls, alongside what Target has provided in respect of its contact with HE and what both Miss G and Target have told us.

Miss G has found herself in a very difficult position following her redundancy, and has acted responsibly, thinking ahead about her mortgage and loan payments and how she will afford them, and looking into what support she might be able to get. She has kept Target informed of her situation, including about her health conditions and the impact they have on her. I'm satisfied that she made it clear to Target in March 2022 that she had taken appropriate advice before starting her claim for SMI, and all she needed in order to proceed was for HE to complete its part of her application form. She also explained that her main mortgage lender had filled in its part of the form without any problems.

It appears from Target's April 2022 email to HE, which I've quoted above, that it knew HE wouldn't complete SMI application forms as a matter of policy. Target then simply relayed HE's direction that Miss G seek independent advice to Miss G, even though she told it repeatedly that she had already done so. Target then failed to update her at all following its July 2022 final response letter, despite having said it would do so.

Our Investigator asked Target for records of its contact with HE explaining Miss G's situation and the impact that blocking her claim for SMI was having on her. Target provided a few emails, including the April 2022 email as above, including HE's responses that Miss G should take advice. Target also said: *"It is [sic] has been a long standing rule of Homes England that they will not action SMI forms [...] our managers had raised this in meetings previously with Homes England, but their stance remained unchanged"*. Target hasn't provided any minutes or documents relating to those meetings.

As a responsible administrator, I don't consider that Target gave proper consideration to Miss G's circumstances or the impact of its decision not to explain her situation to HE and set out what blocking her SMI claim would mean. I find nothing to indicate that it properly explained Miss G's circumstances to HE or took them properly into account in its own treatment of her, or that it set out to HE what the consequences were of its refusal to complete the form, or what minimal impact an SMI loan would have on HE's security.

It's clear from listening to Miss G's calls with Target that she was becoming increasingly desperate, frustrated, and very distressed. She had told Target in January 2022, before even starting her SMI application, that she suffers from mental health conditions which have a significant impact on her, and which I accept have been exacerbated by the stress and uncertainty of this situation and the way she has been treated. Miss G was left in limbo for many months with no way forward, spending hours on the phone to Target but getting nowhere and with promised callbacks not happening. She was clear with Target that the refusal to complete the form was putting her in a position where she may well lose her home and no-one would even tell her why. I'm satisfied that Miss G has found this whole matter and the poor communication from Target extremely upsetting.

Putting things right

In all the circumstances, I consider that compensation of £1,750 is fair and reasonable. To be clear, this isn't an award against HE, over which I have no jurisdiction, but is to reflect the serious and ongoing impact on Miss G of Target's poor handling of this matter.

My final decision

My final decision is that I uphold this complaint. I order Target Servicing Limited to pay Miss G £1,750 within 28 days of the date we tell it Miss G has accepted this decision.

If payment is not made within 28 days of the date we tell Target Miss G has accepted this decision – if she does – Target should also add simple annual interest of 8% running from the date of acceptance to date of payment. Target may deduct income tax from the 8% interest element of my award, if applicable, but should tell Miss G what it has deducted so she can reclaim the tax from HMRC if she is entitled to do so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 8 August 2023.

Janet Millington
Ombudsman