

## **The complaint**

Mr W has said that he shouldn't have been charged interest on his second charge loan he held.

The loan was originally taken out with lender G and it was transferred to lender A in July 2016. The loan was administered by Target Servicing Limited on behalf of lender A so it is the business responsible for dealing with this complaint.

## **What happened**

Mr W took this loan out with lender G on 25 April 2006. He borrowed £25,000 (plus fees) over 20 years with the initial interest rate being 8.14% variable.

The loan fell into arrears in 2007 and remained that way for most of the term of the loan. The loan was repaid in November 2022 when the property was sold.

Mr W raised a complaint. He said he'd seen on lender A's website a statement that if the account had been defaulted before lender A took it over, then lender A wouldn't charge interest or fees on the account from the point it acquired it.

A complaint response was issued by lender E (who was taking over the account just as Mr W was redeeming it). Lender E apologised for an earlier email not having been responded to and offered £20 compensation for that oversight. In regard to the main issue, it said it had been unable to evidence that the account had been defaulted, and so the interest was charged as normal in line with the credit agreement Mr W had signed.

In the meantime Mr W had referred the complaint to our service. The complaint was set up against Target as it was about the actions of lender A at the time Target administered the loan.

Our Investigator said the account hadn't been defaulted, and the interest was correctly charged.

Mr W didn't agree and so the case was passed to me to decide.

## **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.

I appreciate Mr W's strength of feeling regarding this complaint. I'd like to assure him that I've read and considered everything he's told us. I trust he won't take it as a discourtesy that I've condensed his complaint in the way that I have. Although I've read and considered the whole file I'll keep my comments to what I think is relevant. If I don't comment on any specific point it's not because I've not considered it but because I don't think I need to comment on it in order to reach the right outcome.

This service is impartial between, and independent from, consumers and businesses. What

this means is that we don't represent either party, and we look at things independently without taking sides. For that reason, I won't be answering Mr W's questions, such as why lender G used the word 'default' as that point doesn't impact the overall outcome of this complaint. I'll explain why.

I can understand Mr W's confusion here as lender G referred to various fees it charged as 'default fee'. I can't comment on the wording lender G used as this complaint isn't about lender G and its actions. It is about lender A and whether it was right to charge interest on the loan.

Even though lender G described a fee on the transaction history as being a default fee doesn't mean the account was defaulted. An account being defaulted is a set action, it isn't something that can be implied due to the wording of a fee. Either an account has been defaulted or it hasn't.

So what I need to decide for this complaint is:

1. Was the account defaulted?
2. If it was defaulted, should lender A have charged interest when it took over the loan.

I only need to answer point 2 if I think the answer to point 1 is 'yes'.

There's no record of this account having been defaulted. In fact, Mr W sent us a copy of his credit file record for this loan and it says:

<i>"Default Date</i>	<i>N/A"</i>
----------------------	-------------

Had the loan been defaulted at any time then there would be a date there rather than "N/A".

The fact the matter went to court and the lender obtained a suspended possession order doesn't mean the account was defaulted. If the account had been defaulted it would show as such on Mr W's credit file with a date where I've indicated above.

I can't comment on whether or not it should have been defaulted at some point as that is a different matter Mr W would have to raise with the business(es) concerned if he wanted to do so.

That said, even if a later complaint found the account should have been defaulted before it was taken over by lender A that wouldn't impact things here. That's because the wording Mr W has referred to says *"If your account has been defaulted before..."* A later complaint saying the account *should* have been defaulted isn't the same thing as an account that had *actually* been defaulted. Lender A charged interest on the basis the account hadn't been defaulted and it wasn't wrong to do so.

As I said, I can understand Mr W's confusion due to the wording of the transaction history but, as I've explained, the name of the fee isn't evidence – in itself – that the account was defaulted. Mr W's credit file provides strong evidence there wasn't a default, as does all the information held by Target also showing that wasn't the case.

On balance I don't think this account has ever been formally marked as in default, therefore, the wording Mr W has supplied isn't applicable.

Mr W borrowed this money and was due to pay it back with interest. As I've not found the account had been defaulted, and having considered everything very carefully, I'm not

persuaded that lender A was wrong to charge interest on this debt and so I don't uphold the complaint.

I leave it to Mr W to decide if, on reflection, he wishes to contact lender E directly to accept its offer of £20 for the lack of response to his email (if he hasn't already done so) as that part of the complaint wasn't progressed with our service.

### **My final decision**

I don't uphold this complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 28 November 2023.

Julia Meadows

**Ombudsman**