

The complaint

Mr A's complaint arises out of his mortgage account held with Pepper (UK) Ltd trading as Engage Credit.

Mr A is unhappy that his mortgage payments have increased. He is also unhappy that his original lender (a business I will call S) transferred the mortgage to a third party, A, which later transferred it to another business, K, and eventually was assigned to Engage. Mr A says these transfers were done without his knowledge or consent.

Mr A would like to know if the increases in the interest rate on his mortgage are legal. He would also like compensation, if applicable.

Mr A is represented in the complaint by a family member but for clarity I will refer to Mr A throughout.

What happened

In 2005, after taking advice from his own mortgage broker, Mr A took out a mortgage with S. He borrowed £162,000 on a capital repayment basis at a variable rate of interest which was shown in the mortgage offer as being at a percentage over the London Interbank Offered Rate (LIBOR), initially 0.5% above LIBOR until 31 May 2006, then 0.75% above LIBOR until 30 November 2006 and thereafter at 2.00% above LIBOR for the remainder of the mortgage term, which was 25 years.

I am told that Mr A also has a secured loan taken out in 2006 with a different business linked to S, later transferred to A, and which doesn't form part of this complaint, which is about the main mortgage account currently administered by Engage.

In August 2022 Mr A complained to Engage about the interest rate on his mortgage, that the mortgage had been transferred without his consent, and that his previous mortgage servicers had not responded to him. In its final response letter Engage explained that the interest rate on the mortgage is variable, and that the terms and conditions provide that the mortgage can be transferred. Engage noted that previous owners of the mortgage hadn't responded to Mr A, but said it wasn't able to comment on this.

Mr A complained to our service. An investigator looked at what had happened but didn't think Engage had done anything wrong.

The investigator noted that LIBOR ceased to be published after December 2021 and that Mr A's mortgage was now linked to the Sterling Overnight Indexed Average (SONIA). The investigator was satisfied that Engage was entitled to do this. He was satisfied that the interest rate was variable. The investigator also explained that the mortgage terms and conditions allowed the mortgage to be transferred and that the mortgage interest rate was variable.

Mr A asked for an ombudsman to review the complaint. He's provided no further evidence or arguments so I have reviewed the complaint on the basis of the evidence already on file.

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'm unable to find that Engage has done anything wrong.

Interest rate: The mortgage is subject to a variable rate of interest, and this is now set with reference to SONIA, as LIBOR is no longer published. Mr A is unhappy that his mortgage payments have increased. However, interest rates generally have increased, due to market fluctuations, and this will have affected Mr A's mortgage, as it is at a variable rate of interest.

I don't have any power to tell Engage what interest rate it should charge, and the evidence shows that it is applying interest in accordance with the mortgage contract. The most recent annual statement I have – dated 19 January 2023 – shows the interest rate on the mortgage to be 5.66%, which doesn't seem to me to be excessive, given that interest rates have increased due to external market forces over which Engage has no control.

Transfer of the mortgage: The mortgage terms and conditions issued by S in 2005 – to which Mr A agreed to be bound when he took out the mortgage – state at clause 7:

Transfer of the Company's rights

7. (a) The Company may in its absolute discretion, at any time and without notice to the Borrower, transfer its rights under the Loan Conditions and/or the mortgage to any person or persons whatsoever. Similarly any person to whom the Company transfers its rights may decide to transfer its rights under the Loan Conditions and/or the Mortgage to any person or persons whatsoever.

(b) The Borrower hereby consents to the transfer of the Company's rights under the Loan Conditions and/or Mortgage and agrees, to the extent that the Company transfers its rights to any person, that it will be bound to such transferee in like manner and extent as it is bound to the Company. The Borrower further consents, to the extent that the Company agrees with any person to transfer its obligations to that person, that the Company will be released from further obligations to the Borrower under the Mortgage.

There is nothing unusual or untoward in mortgage lenders transferring all or part of their mortgage book to other businesses, as per the above terms and conditions. Mr A's consent isn't needed each time this happens, as he has already consented by accepting the mortgage terms and conditions. Engage is regulated to administer mortgage accounts, and the transfer was permitted under the terms and conditions of the contract.

Overall, I'm unable to find that Engage has done anything wrong.

I can see from Mr A's correspondence with us and with Engage that he is in financial difficulty, and has had some health issues. I am sure this has been a very difficult time for him. I would remind Engage of its regulatory obligation to treat Mr A fairly and sympathetically, and to give reasonable consideration to any payment proposals.

Mr A might also find it helpful to speak to one of the free debt advisory services, such as Citizens Advice, StepChange or Shelter. We can provide Mr A with contact details for those

agencies, if he'd like us to. Alternatively, Mr A might want to discuss his situation with a financial adviser. Engage is not a mortgage lender, and isn't able to offer him any new products, but a financial adviser would be able to explore any available options.

My final decision

My final decision is that I don't uphold this complaint.

This final decision concludes the Financial Ombudsman Service's review of this complaint. This means that we are unable to consider the complaint any further, nor enter into any discussion about it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 5 February 2024.

Jan O'Leary
Ombudsman