

The complaint

Mr and Mrs H complain they were given incorrect information by Target Servicing Limited, the administrator of their help to buy loan.

What happened

Mr and Mrs H purchased a property using a first charge mortgage and a help to buy shared equity loan.

Help to buy loans are unregulated, and the lender is not within the jurisdiction of the Financial Ombudsman Service. But the lender has appointed Target to administer the loans on its behalf. Target is a regulated firm and in administering the loans for the lender it is carrying out a regulated activity.

Under the terms and conditions of help to buy loans, the lender's consent is needed to re-mortgage the first charge mortgage – though doing so to obtain a new interest rate without increasing the borrowing is permitted.

Mr H contacted Target to discuss the help to buy loan balance and the process for re-mortgaging. As a result of that conversation, Mr H thought they would have to increase the amount they wanted to borrow on their first charge mortgage by the amount of the help to buy loan – which was 20% of the value of their property.

Mr H says he felt forced to take two days off work to try and secure another mortgage. Mr H is a self-employed contractor, and says this meant that he lost £1,000 in earnings.

Mr and Mrs H then realised that they didn't in fact need to repay the help to buy loan to re-mortgage if they just wanted to secure a new interest rate without further borrowing. They complained that they'd been given misleading information.

Target accepted that it had misled Mr and Mrs H. It offered £50 compensation. Our investigator thought that should be increased to £150. Target accepted that but Mr and Mrs H didn't. So the case comes 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've listened to the calls Mr H had with Target. He spoke to Target on 11 January. In that call he asked how much was outstanding on the help to buy loan, and what the process for repaying it was. He said he was re-mortgaging. The adviser Mr H spoke to explained the redemption process, including that he would need to repay the same proportion of the property value as he and Mrs H had originally borrowed.

The adviser didn't explain that Mr and Mrs H didn't need to repay the help to buy loan – they could re-mortgage to take a new interest rate without redeeming. That may be why Mr H was left with the impression that they had to repay. But the adviser didn't say they had to. She

only discussed the redemption process because that was all Mr H asked about.

So I don't think Target misled Mr H, or provided him with incorrect information. It did give him incomplete information – in the sense that it didn't tell him that he could choose not to repay – but that was because the conversation was about what Mr and Mrs H would need to do to repay, and how much they would have to repay. That was what Mr H had asked about, and so that was what the adviser told him.

Mr H was left with the impression that they had to repay the help to buy loan to be able to re mortgage. But he was left with that impression because he asked about the process for redeeming the loan and the adviser answered his questions. The information the adviser gave him was accurate.

She didn't explain that it wasn't necessary to repay when re-mortgaging. But having listened to the call, I'm satisfied that it appeared that Mr H's intention was to repay and he was asking how to do so; it didn't appear that Mr H wanted not to redeem and was trying to find out whether that could be avoided. Although that wasn't what Mr H had asked about, I think it would have been helpful to have made that clear. But I don't think the adviser gave misleading information in response to Mr H's questions.

Putting things right

Mr H says that Target ought to pay him £1,000, being the equivalent of two days' pay at his sub-contracting rate, because he had to take two days off to find a new mortgage at short notice, only to later learn that wasn't necessary.

I don't think it would be fair to require Target to pay that. Mr H was dealing with Target in his personal capacity not his professional capacity, so his professional pay rate is not the appropriate measure of the inconvenience he was put to. And I'm also not persuaded that this represents reasonable compensation for loss of earnings. Our investigator asked Mr H for evidence of loss of earnings, but he hasn't provided it. Even if evidence was available, I'm not persuaded it was necessary for Mr H to take two days off work to apply for a mortgage – these sorts of tasks are part of life, and can be carried out outside working hours.

I also bear in mind that Target didn't tell Mr H that he had to redeem the help to buy loan, it merely told him how to do so in response to his questions. Target didn't tell him that wasn't the only option – but it did correctly answer the questions he asked. Mr H wouldn't have needed to spend this time if Target had told him it wasn't the only option. But equally he wouldn't have needed to spend this time if he had asked Target what his options were rather than conducting the call on the assumption that he had to redeem, giving Target's adviser the impression that was what he had chosen to do.

Target accepts it could have done more to explain the options available to Mr and Mrs H. To that extent, it did play some part in the extra inconvenience Mr H was put to in trying to obtain a larger mortgage than their current one. I think £150 compensation fairly recognises its role in what happened.

My final decision

My final decision is that Target Servicing Limited should increase its offer of compensation to £150.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H and Mr H to accept or reject my decision before 8 January 2024.

Simon Pugh
Ombudsman