

The complaint

Mr and Mrs W are unhappy that Target caused delays issuing them a deed of postponement which prevented them from completing on their remortgage. This has resulted in them paying more each month for their mortgage due to an increase in interest rates.

What happened

Mr and Mrs W have a help to buy loan. They took out a mortgage and also the help to buy loan to part-fund their deposit.

The help to buy scheme is a government scheme in place to support home ownership which is administered by Target. In addition to the usual mortgage from a regular lender, a borrower takes a shared equity loan funded by the government to reduce the amount of cash deposit that would be otherwise required. Mr and Mrs W's property is in England, and they took the loan out with Homes England, which was formally known as Homes and Communities Agency. They are an executive agency and non-departmental public body sponsored by the Department for Levelling Up, Housing and Communities. Homes England lends a percentage of the property purchase price to the borrower to enable them to buy a home.

Mr and Mrs W were looking to change their mortgage lender in order to secure a lower mortgage interest rate. They said they had a mortgage agreed with a new lender.

Because the help to buy loan is secured over Mr and Mrs W's property by way of a second charge, their new mortgage lender needed Target to agree to a deed of postponement – so that when the old lender removed its charge, the new lender could take first charge ahead of the help to buy loan.

Mr and Mrs W said they provided Target with all the relevant information that was needed, including their new mortgage offer and solicitor details by 18 July 2022. They said they were told by Target that this process would take between four to six weeks to complete.

Mr and Mrs W said they chased Target on several occasions but were not getting a response. They said they also tried to call on numerous occasions but ended up waiting for a very long time to get through on the phone.

Mr and Mrs W said they were conscious that their new mortgage offer was only valid until 27 October 2022, so they wanted to ensure that they completed before this date to get the interest rate they wanted. They complained to Target who couldn't issue a final response letter as they said they hadn't had any updates from Homes England so they couldn't give a meaningful update – but they were not given any reasons for the delay by Homes England.

The process didn't end up completing until November 2022 and as a result, and due to the interest rates across the market increasing, Mr and Mrs W contacted their existing lender and secured a new mortgage interest with them - which was for a much higher rate than they would have obtained.

As Mr and Mrs W were unhappy with the lack of responses from Target and the delay that was caused they brought their complaint to the Financial Ombudsman Service where it was looked at by one of our investigators.

Our investigator upheld the complaint and acknowledged that Target had caused delays which meant that Mr and Mrs W ended up paying more for their mortgage than they should have. So she asked Target to pay the difference in the interest rate that Mr and Mrs W were being charged – against the lower rate they should have had. She asked Target to calculate this for two years as the mortgage was for a two-year fixed rate. She also thought that Target should pay Mr and Mrs W £250 for the stress and inconvenience they had been caused.

Mr and Mrs W accepted what the investigator had said but Target didn't respond.

Target have since sent out their final response on Mr and Mrs W's complaint and acknowledged there was some delays. So they agreed to refund £115 for the deed of postponement fee as well as an additional £125 for the distress and inconvenience caused to Mr and Mrs W.

Our investigator contacted Target and explained that the recommendations she made were still in addition to what Target had now offered due to the impact this had on Mr and Mrs W. But Target still didn't respond specifically to the opinion of our investigator about how to put things right for Mr and Mrs W. So as they haven't rejected or accepted what we said, the complaint has now been 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.

Having done so, I agree with what our investigator has said.

As a regulated entity in administering the loan on behalf of the lender, Target is carrying out the regulated activities of debt administration and debt collection.

Under the regulated activities, Target is performing the lender duties, and exercising the lender's rights, under the terms of the credit agreement, as well as collecting payments the lender is entitled to. In my view this means that Target must do what the lender is required to do, and only take steps the lender is entitled to take, while acting on the lender's behalf. And as a regulated firm, it has wider obligations to act fairly.

Although the lender is Homes England, they have appointed Target to act on their behalf – as using the description in the loan agreement – its "nominated agent" Mr and Mrs W were told to deal with Target at all times and Target was presented as being responsible for the management and administration of the loan agreement.

I'm satisfied that I can take these matters into account when deciding what's fair and reasonable in all the circumstances. In my view, as the appointed administrator and as a regulated entity carrying out regulated activities in their own right, Target is the appropriate firm to respond to this complaint. As a regulated entity carrying out a regulated activity, they have an obligation to act fairly and reasonably in performing the lender duties.

I don't think there is any doubt here that Target have caused delays for Mr and Mrs W. Target have confirmed that they sent the deeds for sealing on 15 July 2022 which should have taken four to six weeks to process. But they didn't receive the sealed deeds back until 21 November 2022 – a delay of around 13 weeks.

Target sent their final response to Mr and Mrs W's complaint after our investigator had looked at it and offered to refund Mr and Mrs W £115 for the fee that they paid and an additional £125 for the distress and inconvenience caused. While it's good to see that Target have acknowledged some of the stress that Mr and Mrs W have been through, this still isn't enough to put things right for them. And I think the £250 that our investigator recommended is still reasonable, in addition to the amount that Target have now offered.

Mr and Mrs W have found this process extremely stressful. They have been paying more for their mortgage each month than they intended to, and this has had an impact on them financially and personally. They have explained how this has affected them and Target needs to recognise this.

I can see that in their most recent letter to Mr and Mrs W, Target have asked them to provide evidence from their mortgage providers to show the difference in the rates they are paying.

I have seen the mortgage offer that Mr and Mrs W had from their new lender which confirms a two-year fixed rate at 2.49%. Had it have not been for these delays; I can't see any reason why Mr and Mrs W would not have completed on this mortgage which would have saved them money each month. But because they didn't hear back from Target, they worried about the rise in interest rates as the mortgage offer had expired, so they secured a new rate with their existing lender on 1 November 2022 for 7.38% - which is significantly higher. We have also been provided with evidence of this rate change which was also fixed for two years.

Target sent the deeds for sealing on 15 July 2022 so taking into account the time it would have taken for this process to go through; I think it's reasonable to suggest that by 26 August 2022 – which is the maximum six-week period – this mortgage should have completed. So Target should refund the difference in the rates from 26 August 2022 for two years from this date and refund the difference to Mr and Mrs W.

My final decision

For the reasons given above, I uphold this complaint and direct Target Servicing Limited to:

- Calculate the difference in interest payable on Mr and Mrs W's mortgage of 7.38% against the mortgage that they would have obtained on 2.49% in August 2022 up until August 2024. Target should then pay the difference in total interest over that period to Mr and Mrs W.
- Pay Mr and Mrs W £250 for the distress and inconvenience caused, in addition to the amount that they have since paid them.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W and Mrs W to accept or reject my decision before 2 August 2023.

Maria Drury
Ombudsman