

## **The complaint**

Mr and Mrs G complain that The Funding Corporation (1) Limited failed to remove a charge over their property after they'd paid off a second charge mortgage (secured loan). This meant that Mr and Mrs G were unable to re-finance their first charge mortgage and lost out on a better interest rate.

## **What happened**

Mr and Mrs G took out a secured loan with The Funding Corporation in around 2005, paying it off in 2020. They had and continue to have a first charge mortgage secured over the same property.

In late 2022 Mr and Mrs G decided to shop around for a new rate of interest. They discovered that The Funding Corporation had not removed its charge when they paid their loan off in 2020 – and the continued existence of the charge was preventing them re-financing their first charge mortgage.

Mr and Mrs G contacted The Funding Corporation. It agreed to remove the charge, but that didn't happen in time for Mr and Mrs G to complete their re-mortgage. So they complained that they'd lost out on the interest rate they'd applied for and would end up paying more.

The Funding Corporation said it had first been contacted by Mr and Mrs G about the outstanding charge on 15 November 2022. It confirmed their loan had been repaid in full and told them it would arrange for its solicitors to remove the charge. But it couldn't confirm how long that process would take.

Mr and Mrs G planned to complete their new mortgage on 17 November 2022. But this wasn't possible. In the meantime, they continued on their existing lender's standard variable rate, which increased regularly as the Bank of England base rate increased – meaning Mr and Mrs G were paying more each month.

Their new lender agreed to extend the mortgage offer until May 2023. The charge was finally removed in April 2023 and Mr and Mrs G were able to complete their re-mortgage.

Our investigator said that The Funding Corporation should refund the additional amounts Mr and Mrs G had to pay to their previous lender because of the delay in completing on their new mortgage. And it should pay them £750 compensation.

## **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'm satisfied that The Funding Corporation is at fault here. It accepts that the charge should have been removed in 2020 when the loan was paid off. It was aware that it hadn't been, and the problems that was causing Mr and Mrs G, in November 2022. But it didn't actually remove the charge until April 2023.

We've asked The Funding Corporation why the charge wasn't removed in 2020. And we've asked why it took from November 2022 to April 2023 to remove it. It hasn't answered that or given any explanation.

I see no good reason for the delay. The charge should have been removed in 2020. And it should have been removed in November 2022 when the failure to do so first came to light. The Funding Corporation's failure to remove the charge caused Mr and Mrs G loss, because it delayed their re-mortgage and meant that had to pay more interest to their previous lender.

### **Putting things right**

I'm satisfied The Funding Corporation should pay Mr and Mrs G the difference between what they had to pay to their old lender, and what they ought to have paid to their new lender. It should add simple annual interest of 8% to each refund amount running from the date of each payment to the date of refund.

Payment to old lender	Payment to new lender	Difference to be refunded	Date payment made / date 8% interest calculation should start
£895.15	£697.48	£197.67	1 December 2022
£976.00	£697.48	£278.52	5 January 2023
£975.06	£697.48	£277.58	1 February 2023
£1,050.32	£697.48	£352.84	4 March 2023
£1,093.71	£697.48	£396.23	31 March 2023

I've not seen any evidence that Mr and Mrs G would have been able to obtain a lower interest rate than the one they took with the new lender. The charge only came to light as part of the legal work to process their new mortgage, after the new lender had made an offer.

The existence of the charge wouldn't have prevented Mr and Mrs G from applying for and being offered a new mortgage – it would only prevent a new mortgage offer from completing. Mr and Mrs G have given us copies of their credit files and I've not seen anything inappropriate that The Funding Corporation has placed on their credit files, so I don't think there is further compensation due for that. A charge over a property doesn't appear on a credit file, and The Funding Corporation correctly reported on their credit files that the loan was paid off in 2020.

However, I do think The Funding Corporation should compensate Mr and Mrs G for the inconvenience and the upset it caused. Their new mortgage was delayed for several months, with Mr and Mrs G having to do much chasing and getting no clear explanation or timescale from The Funding Corporation. They were having to find increasing amounts to pay their old lender because of interest rate rises. And they were very worried that their new mortgage offer would expire and any new application would be at a higher rate, and more expensive, than the one they might lose. All of that caused them substantial worry and upset

over several months and in the circumstances I agree £750 is fair compensation.

### **My final decision**

My final decision is that I uphold this complaint and direct The Funding Corporation (1) Limited to:

- Refund the additional mortgage payments as I've set out in the table above, adding simple annual interest of 8% from the date of each overpayment to the date of refund. The Funding Corporation (1) Limited may deduct income tax from the 8% interest element of my award, as required by HMRC, but should tell Mr and Mrs G what it has deducted so they can reclaim the tax from HMRC if they're entitled to do so.
- Pay Mr and Mrs G £750 compensation. If payment is not made within 28 days of the date we tell The Funding Corporation (1) Limited that Mr and Mrs G have accepted this decision – if they do – it should add simple annual interest of 8% running from the date of acceptance to date of payment. Again, it may deduct income tax from the 8% interest element of my award, if applicable.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G and Mr G to accept or reject my decision before 3 January 2024.

Simon Pugh  
**Ombudsman**