

The complaint

Mr K complained that his redemption statement, received from Pepper (UK) Limited trading as Engage Credit, kept changing. He said Engage wanted him to pay off almost £3,000 in arrears, but Mr K said he'd cleared the arrears in 2018, and he'd kept the letter to prove it.

What happened

Mr K received a redemption statement from Engage, dated 8 November 2022. That statement said Mr K owed a little over £32,000 in total. But it broke this down into a little over £29,000 for the current mortgage balance, a little under £3,000 for "*Arrears, Arrears interest, Fees and Charges*" and just under £50 in fees for redeeming the mortgage.

Mr K has historically had arrears on his mortgage, but he'd been overpaying his mortgage in 2017 and early 2018. So he said all the arrears were paid off in 2018. And he said he didn't know anything about any outstanding fees. He sent us a letter dated April 2018, which said his mortgage balance was then £47,352.11, but his arrears balance was £0.00.

In late November 2022, Mr K paid a bit over £29,000 to his mortgage. It looks as if Mr K had intended to pay the items on his redemption statement which were listed as "*Current Balance*" and "*Deeds Fee*" and "*Mortgage Exit Administration Fee*" but not the item listed as "*Arrears, Arrears interest, Fees and Charges*".

Engage applied this payment against Mr K's mortgage, but said he still owed around £3,000. Mr K said he hadn't received anything explaining the charges. He complained to our service.

Engage says that the item listed as "*Arrears, Arrears interest, Fees and Charges*" isn't made up of actual arrears. It says this is made up of charges that were applied to Mr K's mortgage while he was in arrears. It thinks one of these charges, in August 2017, should be removed, because Mr K had made a payment that month. But it thinks the rest of the fees were properly charged. Engage sent our service a complaint Mr K had made to our service in 2012 about fees on his mortgage which were charged while he was in arrears. And it sent us statements dating back to 2010, detailing fees charged, which it has also shared with Mr K.

Our investigator didn't think this complaint should be upheld. He said he had explained he could only look at issues arising in the six years prior to this complaint, so he wouldn't consider anything that happened before November 2016. And our investigator said after this, he could see that Mr K had received annual statements and letters which showed the outstanding balance and arrears on his mortgage. Our investigator said the letter Mr K had sent, showing a zero balance for his arrears in April 2018, was only evidence that Mr K hadn't accrued any arrears in the three months that letter covered, it wasn't evidence that all the arrears were paid off.

Our investigator said he hadn't seen anything to show Mr K didn't owe everything set out on the redemption statement. He thought that Engage's offer to refund £55 of fees was fair.

Mr K replied to say he didn't understand. He said that he was in arrears before early 2018, and had been paying an extra £100 per month to clear those arrears and charges. He said after that, there were no further charges added to his account. So he said that was his point – where had these arrears, showing on his redemption statement now, come from?

Our investigator didn't change his mind. He still thought the letter with the zero arrears balance only referred to arrears accrued in the period between February and April 2018. He said fees and charges were applied at different times before that statement.

Because no agreement was reached, this case then came to me.

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 reached the same overall conclusion on this complaint as our investigator.

I do think there's been some confusion here, because it looks like when our investigator said Mr K hadn't accrued arrears between February and April 2018, he was referring to arrears fees and charges, not arrears themselves. I'll try to set this out clearly for Mr K.

Firstly, I can see Mr K had arrears on his mortgage, before 2018. And I can see, as he said, he was making a regular overpayment, to clear these arrears. He's shown us letters where this arrears balance is reducing, until April 2018, when the arrears balance shows as zero.

So I do think Mr K had paid off all the actual arrears on his mortgage by April 2018. But, importantly, I don't think that means Engage is wrong about how much he owes now.

When Engage sent the redemption statement, it said that £3,000 of what Mr K owed then, was made up of "*Arrears, Arrears interest, Fees and Charges*". And when Mr K complained, it clarified that none of the money in this figure was actual arrears. It's said all of this amount of just under £3,000 listed on his redemption statement, is made up of fees and charges that Mr K incurred while he was in arrears.

Engage has looked back at the recent arrears fees, and it thinks one of those fees wasn't properly charged, so it will refund that. But it says Mr K does owe the rest.

It looks like Mr K believed that in 2018 he'd paid off all the arrears AND all the fees and charges that his mortgage lender applied because of those arrears. But he hadn't. He'd just paid off all the arrears, not the associated fees and charges.

In 2018, Mr K's mortgage was looked after by a different lender, and that lender didn't provide a separate total for fees and charges. They were just added into the total amount Mr K owed on his mortgage. So when Mr K brought his separate arrears total to zero, that doesn't mean he'd paid off all the associated fees too.

The letter Mr K sent us, from April 2018, said he didn't owe any arrears, but he did still owe £47,352.11 on his mortgage. So I've looked at Mr K's annual statements since then, to see if what Engage asked him to pay, in his redemption statement, is consistent with those statements.

I can see the following reductions, year on year, in the overall amount Mr K owed on his mortgage -

- April 2018 arrears letter - mortgage balance £47,352.11,
- 31 Jan 2019 statement – mortgage balance £45,297.71
- 31 Jan 2020 statement – mortgage balance £42,157.73
- 31 Jan 2021 statement – mortgage balance £38,732.83
- 31 Jan 2022 statement – mortgage balance £35,108.62

The redemption statement Mr K sent us, from November 2022, had a total of £32,243.20 to redeem the mortgage.

I think that all Engage has done now, is to account for Mr K's mortgage balance differently. So, unlike Mr K's previous lender, Engage is pointing out how much of that overall balance is made up of fees he was charged some time ago. I don't think that's unfair or unreasonable, and I've not seen anything to make me think that Engage has made a mistake about how much Mr K owes now.

And importantly, I think this final total, which Engage gave to Mr K on his redemption statement in November 2022, is in keeping with the overall history of Mr K's mortgage balance, dating right back to the mortgage balance set out on the April 2018 letter which told Mr K his arrears were cleared.

Engage has said it will remove from Mr K's account, one amount of fees, which it thinks wasn't properly charged. I don't think Engage has to do more than that, to resolve this complaint. And for that reason, I don't think Mr K's complaint should be upheld.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 13 November 2023.

Esther Absalom-Gough
Ombudsman