

## **The complaint**

Mrs C's complaint relates to a formerly secured loan in her name that has been administered by Target Servicing Limited since 2016. She believed that the loan had been repaid in full in 2011, but she has been told that it was not, and it has been reported as being in arrears on her credit file.

The loan is now owned by a lender that is not regulated and doesn't fall within our remit.

## **What happened**

In 2004 Mrs C and a former partner took out a secured loan with a lender. Alongside the loan it appears she was sold a payment protection insurance (PPI) policy. The loan was set up as two subaccounts; the first for the loan advance and a second for the premium for the PPI policy. In 2005 Mrs C and her former partner separated. She's told us that she paid a lump sum off the loan and took on sole responsibility for it. A new agreement for the outstanding balance appears to have been signed by Mrs C.

In June 2011 Mrs C moved home. She's told us that she asked the former lender to transfer the loan to her new property, but it refused. As such, the loan was paid off when she moved. She has provided documentation from the time which shows that the loan was settled on 9 June 2011 for slightly over £15,000. The charge over the property was released.

Unfortunately, it appears that when the redemption figure was calculated, it didn't include the amount needed to pay off subaccount two. As no further payments were being received by the lender, the account went into arrears.

Letters were sent to Mrs C in November and December 2011, but they were sent to the address on the 2005 credit agreement, which was the property that was sold in mid-2011. The annual statement sent in 2012 was sent to an address on the same street as Mrs C's new home, but a house number of 13 rather than 132 was used. The former lender didn't make any further attempt to contact Mrs C about the outstanding balance, although it appears to have been aware an error had been made, as it suspended interest on the remaining balance in 2013.

In 2016 the loan was transferred to the current lender. That lender ceased to be regulated in 2015 and so it appointed Target to administer the loan. Target reports the status of loans and mortgages it administers to credit reference agencies, and did so for Mrs C's loan, confirming that the account was in arrears.

In June 2016 goodbye and welcome letters were sent to Mrs C, which told her about the transfer of the loan. Both of these letters were addressed to the property she moved out of in 2011.

Target subsequently identified a new address for Mrs C, as it had a record of her relating to another financial arrangement. Target contacted Mrs C about the outstanding balance of the loan in November 2016. Mrs C disputed that there was an outstanding balance and there

were various discussions and letters over the following years. In 2020 Mrs C started making payments to the loan when she realised the effect it was having on her credit rating.

In the spring of 2021 a complaint was registered about what Target had reported about the loan to credit reference agencies. It responded to the complaint and confirmed that what it had recorded was correct, as the loan was 86 months in arrears. It also explained that it reported the equivalent number of months arrears the loan was in, not missed payments. It also said the loan had never been defaulted and that no payment arrangement was in place.

Mrs C wasn't satisfied with Target's response and referred her complaint to us. She explained that when she began to receive telephone calls from Target on behalf of the lender, she ignored them, as she thought it was probably a scam, having never heard of the lender. During the time the complaint has been with this service, Mrs C repaid the loan.

One of our investigator's considered the complaint and ultimately, she recommended that the complaint be upheld. She concluded that an error had been made by the previous lender, in that it hadn't provided Mrs C's solicitors with the correct figure to redeem the entire loan in 2011. As Mrs C wasn't aware of this and she wasn't told about this error until after Target started to administer the loan, it was unfair for the situation to have affected her credit file. As such, the investigator concluded that Target should remove any adverse records from Mrs C's credit file relating to the loan.

Mrs C accepted the investigator's conclusions. Target didn't and provided some further documentation from 2011 and 2012 that had been sent to Mrs C by the previous lender (which I have detailed above). Target also questioned whether Mrs C had paid the amount she had been told to when she'd asked for a redemption statement, as settlement was paid after the expiry date of the statement. It highlighted that the correspondence sent following the purported redemption, would have made Mrs C aware that there was still a balance on the account. Target also stated that it was required to report correct information to credit reference agencies and so it didn't consider that it had done anything wrong in reporting what it had.

As agreement couldn't be reached, it was decided that the complaint should be referred to an ombudsman.

I issued a provisional decision on 2 November 2022, in which I set out my conclusions and why I had reached them. Below is an excerpt.

*'I would initially explain that our understanding is that when the loan was transferred to the current lender, liability for past acts and omissions was also transferred. As such, while Target, as the administrator, didn't itself have responsibility for any errors, it did have a responsibility to administer the loan in light of the lender's responsibilities and take account any errors identified as having been made by the former lender.'*

*While Target has questioned whether Mrs C repaid the main account in 2011, I don't think there is cause to question that this happened. The contemporaneous documentation, including the system notes it provided from the time, show that the former lender recorded subaccount one as having been settled and it then removed its charge on the property. As such, I am satisfied that subaccount one was fully repaid.'*

*The partial loan repayment was completed as part of Mrs C's sale and purchase of properties and so the redemption of the loan would have been dealt with by her solicitors. I don't think there is any doubt that the redemption statement sent out to the solicitors was wrong; it didn't include the balance of the second subaccount. How this error occurred can't be established for certain at this stage, but I think it likely that the error was on the original*

*lender's part. I say this as the solicitors working for Mrs C would have simply provided a loan account number when requesting the redemption statement. There is nothing in the information we know the solicitors had in 2011 that would have given it cause to question the redemption statement. So I think it reasonable that Mrs C believed she had paid off the entire loan.*

*I've looked at the correspondence sent to Mrs C by the original lender in 2011 and 2012, and as I have said above, it was sent to incorrect addresses. As such, I don't think she would have received it and so her statement that she didn't know she still owed money on the loan seems entirely plausible.*

*Mrs C said that when Target first contacted her, she didn't co-operate because she hadn't heard of the new lender and knew the loan had been paid off years earlier – she thought it was a scam. Having looked at the hello and goodbye letters Target provided; they were also sent to an incorrect address. So Mrs C wouldn't have received them and would never have heard of Target or the lender in relation to a loan. In the circumstances, I can understand Mrs C being reticent to engage with Target or to pay it any money. It was not until June 2020 that Mrs C was provided with a copy of the consumer credit agreement she'd entered into and information about the account balance. Until this point Target hadn't given her evidence that the debt it was pursuing was a valid one.*

*Target has stated that where it reports to credit reference agencies it has to report the true picture of the accounts it administers. That is the case. However, where the lender it is administering the account for has made a mistake, or inherited a mistake from a previous lender, it is not reasonable for a customer to be disadvantaged by that reporting.*

*In this case I am satisfied that the previous lender most likely made a mistake when it told Mrs C how much she needed to pay it to clear the loan. It then compounded the mistake by not telling her about it. Had the mistake not been made, I am persuaded that the full loan balance would have been paid off when Mrs C moved home. Indeed, as the previous lender had refused to port the loan to Mrs C's new home, she would have had no choice but to repay the entire balance, as that was the only way the charge would have been removed.*

*When awarding redress we aim to place the consumer, as closely as possible, in the same financial position as they would have been in, had the original mistake not been made. As I have said above, the original mistake was not Target's, but as the current lender inherited the responsibility for the mistake when the loan book was transferred, it needs to take that error into account in its administration of the loan. If the original lender had not made the mistake it did, Mrs C wouldn't have been liable for any further interest on the loan between 2011 and 2013 when it was suspended. In addition, there would have been no adverse information reported on her credit file from 2016.*

*I am currently minded to require Target to reimburse to Mrs C an amount equal to the interest that accrued from the time subaccount 1 was settled in July 2011 to the point the original lender suspended interest in 2013. In addition, as there should never have been a loan balance outstanding when it took over administering the loan in 2016, it should remove the record of the loan from Mrs C's credit file.*

*This matter has clearly upset and inconvenienced Mrs C. However, I don't intend to make a compensation award against Target in this respect. As I have said, Target was not responsible for the mistake that caused this situation and, until Mrs C raised her complaint and provided the evidence she did, I am not persuaded it was evident that the standard approach to administering the loan account wasn't the appropriate one. As such, I don't consider that Target was responsible for the upset and inconvenience Mrs C suffered.'*

Both parties and the current lender accepted my provisional decision.

### **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.

As both parties have accepted my provisional decision and no further evidence has been submitted, I see no reason to alter my conclusions. I remain satisfied that if the original lender had not made the mistake it did when issuing the redemption statement in 2011, the entire balance of the loan would have been repaid in July 2011. As such, Mrs C wouldn't have had to pay the interest charged on subaccount 2 thereafter. Nor would there have been any adverse information recorded on Mrs C's credit file.

### **Putting things right**

Target, as administrator of the loan, is to:

- reimburse the interest charged on the loan from the date subaccount 1 was redeemed in July 2011 to when the original lender suspended interest in 2013.
- remove any adverse information reported on Mrs C's credit file from 2016.

### **My final decision**

My decision is that I uphold this complaint in part. In full and final settlement of the complaint I require Target Servicing Limited to settle the complaint as I have detailed above in 'putting things right'.

Under the rules of the Financial Ombudsman Service, I am required to ask Mrs C to accept or reject my decision before 15 December 2022.

Derry Baxter  
**Ombudsman**