

The complaint

Mr and Mrs T give several reasons why they're unhappy with the way Landmark Mortgages Limited has administered their mortgage and linked unsecured loan account. They're mainly unhappy that Landmark has, on several occasions, incorrectly apportioned their monthly payments towards their mortgage and unsecured loan.

What happened

Mr and Mrs T have a mortgage and a linked unsecured loan with Landmark. This is referred to as a 'Together' mortgage.

Mr and Mrs T have a Debt Management Plan (DMP). Their unsecured loan forms part of the plan. Payments are made directly to the account by the administrator of that plan. Mr and Mrs T call each month to make their mortgage payments separately.

Mr and Mrs T complain that over the years Landmark has got things wrong when taking payments from them. They say that despite making their intentions clear each time they call to make a payment, Landmark hasn't applied their payments to their mortgage as intended, and instead has incorrectly apportioned some of their payments towards their unsecured loan.

Mr and Mrs T have complained to Landmark about this repeated issue on several occasions over the years. The most recent complaint was raised in November 2022. Having not received a response from Landmark, Mr and Mrs T brought their complaint to our service in January 2023. They also told our service that they're unhappy that Landmark's annual statements show a combined arrears balance, rather than a separate arrears balance for each loan.

Whilst their complaint has been with our service, Mr and Mrs T have raised some further issues with Landmark about the service they've received. They've told our service that they are specifically unhappy that:

- There have been further misallocated payments – some DMP payments have been offset against the mortgage.
- A Covid-19 payment deferral was incorrectly applied across both their accounts, instead of just on their mortgage account as intended. They're concerned that a balance of £243 has been added to their unsecured loan and that extra interest has accrued.
- Overpayments are not being applied to their mortgage account accordingly.
- They received poor service over the phone and they're unhappy with the time taken to answer their complaint.

Landmark answered the complaint in May 2023. It addressed each of Mr and Mrs T's

concerns separately and upheld the complaint in part. Landmark's response to the complaint points Mr and Mrs T have raised with our service since January 2023, is as follows:

- It could only comment on how payments have been allocated across Mr and Mrs T's accounts from February 2022, when it issued its last final response letter about payments made until that point. Since then, payments totalling £336.66 have been made under the DMP, and this amount should've been applied to Mr and Mrs T's unsecured loan. All other payments should've been applied to their mortgage as intended. However a total of £344.41 has been applied to their unsecured loan. Landmark accepts it misapplied £7.75 to Mr and Mrs T's mortgage. This part of the complaint was upheld, and the transaction was amended.

Landmark says that there has been no additional interest charged on the unsecured loan because interest has been frozen due to the DMP. It has also waived the small interest debit that would normally apply when transferring the funds from the mortgage account.

- Landmark said it had already answered Mr and Mrs T's complaint about their annual statements showing a combined arrears balance, rather than a separate arrears balance for each loan. It responded to this complaint in its letter of 14 February 2022, so it did not comment on this further. Landmark said that although it may consider changing how its annual statements display arrears information in future, it can't say if or when this may happen.
- Landmark says that it had to act quickly in response to the Government's guidance to lenders during the pandemic. It said it could not separate a payment deferral across linked mortgage and unsecured loan accounts. It accepts it should have told Mr and Mrs T this at the time of setting up the payment deferral. It upheld this part of the complaint but explained why there had been no detriment to Mr and Mrs T.
- Landmark accepts that a lump sum overpayment of £12,000 from July 2022 was split incorrectly as only £11,512.81 was applied to Mr and Mrs T's mortgage. It confirmed that the payment was reversed and reapplied to their mortgage in full, on 22 August 2022.
- Landmark listened to the call complained of. It didn't accept that the agent on the phone spoke rudely to Mr and Mrs T, but it did acknowledge that the agent provided incorrect information, albeit they corrected themselves later in the call. This was specifically in relation to the arrears letter of 28 March 2023. The agent initially said that the letter refers to Mr and Mrs T's mortgage and unsecured loan, when it in fact only applied to their unsecured loan. This part of the complaint was upheld.
- Landmark also accepted it took too long to answer Mr and Mrs T's complaint.

Landmark offered £250 compensation to acknowledge the errors listed above. It apologised that this isn't the first time Mr and Mrs T have had to raise some of these issues. Landmark says that although it can't move Mr and Mrs T's loans onto separate accounts, it did offer a solution to prevent any misallocation of payments moving forward. It provided two distinct separate reference numbers to be used by Mr and Mrs T and the debt management company to make their respective payments.

Mr and Mrs T remained unhappy with Landmark's response. In summary they say that they don't feel £250 fairly compensates them for the series of errors Landmark has accepted responsibility for – particularly when taking into account their health conditions and the

impact this has had on them. Mr and Mrs T also lack confidence that payments will be properly apportioned moving forward as this error keeps repeating itself.

An investigator at our service looked into things. She explained why our service could only look into part of Mr and Mrs T's complaint. She explained why Mr and Mrs T's complaint about the apportionment of payments made before February 2022 had been made too late – because they referred this complaint to our service more than six months after Landmark issued its final response at the time.

Our investigator explained that our service could consider the apportionment of payments from February 2022 onwards along with all the other reasons Mr and Mrs T gave for why they remained unhappy with Landmark's final response letter dated 19 May 2023. In doing so, she thought Landmark had fairly settled the complaint and she didn't recommend that it needed to do anything more to put things right. Mr and Mrs T didn't agree and asked for their case to be decided by an ombudsman.

I issued a provisional decision on 22 December 2023. I said that I'd look at any more comments and evidence that I get by 12 January 2024. But unless the information changes my mind, my final decision is likely to be along the following lines:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

The key facts about this complaint aren't in dispute. Landmark has admitted it got things wrong. So, the issue I have to decide is whether the things it has done to put things right, including the amount of compensation awarded to date, are fair and reasonable.

Having done all that, based on everything I've seen so far, I think Landmark needs to do more to put things right. That includes increasing its compensation award to Mr and Mrs T, I'll explain why.

Our investigator has explained why our service can't consider any complaint brought by Mr and Mrs T about events that happened before February 2022. So, I can't comment on how payments have been apportioned to Mr and Mrs T's account before this date as part of my decision. I'm also unable to look into Mr and Mrs T's complaint about the format of their annual statements, because this complaint was also answered by Landmark in its final response letter dated 14 February 2022. Because Mr and Mrs T first complained to our service in January 2023 – more than six months after Landmark issued its final response letter – these complaints have been made too late.

Whilst I do understand why the combination of ongoing events has exacerbated matters, my decision focuses solely on the events complained of that occurred after February 2022, and as such, when deciding a fair compensation award, I can only consider the impact of Landmark's actions on Mr and Mrs T, as a result of events that have occurred after this date.

Mr and Mrs T have raised several complaint issues with Landmark. Their main complaint is about Landmark's inability to separate their mortgage and unsecured loan accounts which seems to be causing several problems – of which their main concern is about the apportionment of payments.

Our service doesn't regulate lenders. That's the role of the Financial Conduct Authority (FCA). So it's not within my remit to tell Landmark how it should run its business or direct it to make wider changes to its systems and/or processes.

It's the Financial Ombudsman Service's role to look into individual complaints brought by

consumers and to consider each complaint on its own individual merit - including considering any specific financial loss or distress and inconvenience caused in that case.

That said, I can inform Mr and Mrs T that there's a reason the mortgage and unsecured loan are linked. The products are marketed as a 'Together Mortgage' meaning the unsecured loan runs alongside the mortgage. So they can't simply be split into two entirely separate accounts.

However, as far as Mr and Mrs T are concerned, they are making their agreed payments each month. Each month they call to make manual payments towards their mortgage. They make it clear that's the account they're making payment towards, and they expect that to happen. The necessary payments towards their unsecured loan are made separately under the DMP.

Landmark has wrongly apportioned Mr and Mrs T's payments across their accounts on several occasions. I can see that a similar complaint was upheld in 2021. Mr and Mrs T say there have been other occasions too. Whilst I can't consider the impact of any previous mistakes, it's clear Mr and Mrs T experienced a degree of distress and inconvenience when they realised from their November 2022 statement that this mistake had occurred again. And I don't think it was reasonable for them to wait over eight months to get a response from Landmark with regard to the outcome of its investigation into their complaint.

In addition to this, Mr and Mrs T received a separate arrears letter in March 2023. The letter said that they had 'Covid-19 payment holiday arrears' of £243 – in addition to their 'normal' arrears on their unsecured loan. Mr and Mrs T complain that they only asked for their mortgage payments to be deferred, not their secured loan payments too.

Landmark says that it was unable to apply Covid-19 payment deferrals separately to its linked mortgage and unsecured loan accounts. Landmark accepts that when Mr and Mrs T applied for a payment deferral, it should have told them that it would apply across both their accounts.

Because Landmark didn't explain things clearly to Mr and Mrs T, I do think it was confusing for them to receive the letter in question referring to Covid-19 arrears on their unsecured loan. I can see why this likely caused Mr and Mrs T further distress and inconvenience. This led them to make contact with Landmark again to make another complaint – before their last complaint had been answered.

It's difficult to say, what if anything, Mr and Mrs T would have done differently in the circumstances had they been given the right information from the outset. But I can assure them that given the position of their unsecured loan and the pre-existing arrears, the deferred payments haven't changed anything. £243 hasn't been added to their account as they've suggested. A 'Payment deferral' means an arrangement whereby it's agreed the customer makes no payments or reduced payments under their regulated credit agreement for a specified period without considering them to be in arrears/further arrears.

In usual circumstances, interest will continue to be charged during the payment deferral period. However that has not been the case for Mr and Mrs T – because interest is frozen on their unsecured loan due to the DMP. That said, in line with the FCA's guidance to lenders, Mr and Mrs T's account should not show worsening arrears due to a Covid-19 payment deferral. Reading the letter in question, I do think it has been poorly worded by referring to separate 'Covid-19 payment holiday arrears'. As per the FCA guidance, a payment deferral balance should not be considered as arrears. Finally, it's unclear whether Landmark has reported the payment deferral as arrears to the credit reference agencies (CRA). It shouldn't have done so in line with the relevant FCA guidance. If it has inadvertently done so, it should

correct Mr and Mrs T's credit files immediately.

As part of their complaint, Mr and Mrs T have said that despite telling Landmark of their health concerns and vulnerabilities, it has failed to make reasonable adjustments to support them. Landmark has asked for this to be raised as a new complaint, for it to investigate matters first – so I can't comment on that as part of this decision. But I have taken account of Mr and Mrs T's circumstances and any impact on them, when deciding a fair level of compensation.

From what I can see, Landmark has corrected the mis-apportioned monthly payments and I can't see there has been any credit file impact because of these mistakes. But it's also necessary to recognise the level of distress caused to Mr and Mrs T when they learnt on more than one occasion that their mortgage and unsecured loan accounts had been mismanaged.

Trying to piece together account transactions isn't easy for everyone. Mr and Mrs T reached out to Landmark for help understanding their statements, and it took over eight months for it to complete its investigation and to provide a response to the complaint. This caused unnecessary prolonged uncertainty for Mr and Mrs T.

Finally, I've considered Mr and Mrs T's complaint about the allocation of the £12,000 overpayment they made in July 2022. Landmark accepts that a lump sum overpayment was split incorrectly, as only £11,512.81 was applied to Mr and Mrs T's mortgage. £481.19 was incorrectly allocated to their unsecured loan. In response to Mr and Mrs T's complaint, Landmark said that it reversed the payment, and the full amount was reapplied to their mortgage on 22 August 2022. While I'm pleased to see that this matter was rectified within a reasonable timeframe, it's unclear from the information provided to our service, whether the transaction was backdated to the payment date in July 2022 as it should be – to account for any accrued interest during this time on the mortgage account.

I appreciate it must have been frustrating for Mr and Mrs T to learn of Landmark's errors. I've given their personal circumstances careful consideration, and I understand they both each suffer from specific medical conditions. I appreciate this matter is likely to have caused them some degree of frustration and inconvenience, so I empathise with their position.

When considering everything I think an award of £400 is fair and reasonable in the circumstances. I say this because in line with our published awards banding, this more accurately reflects the distress and inconvenience caused by Landmark's several errors – which took some months to sort out.

I understand that Mr and Mrs T have lost trust in Landmark. They've raised hypothetical scenarios about possible errors reoccurring in the future. However, my role is to consider what actually happened and I cannot reasonably direct Landmark to pay any award for distress and inconvenience for events that haven't occurred yet.

My provisional decision

My provisional decision is that I intend to uphold this complaint and I direct Landmark Mortgages Limited to put things right by doing the following:

- Pay Mr and Mrs T a total of £400 compensation;*
- If it hasn't done so already, backdate the full £12,000 overpayment on Mr and Mrs T's mortgage to the date of payment in July 2022, making an adjustment on the mortgage account for any interest charged on the £481.19 that was incorrectly*

applied to the unsecured loan;

- *Amend its reporting of the payment deferral on Mr and Mrs T's accounts – by removing any reference to 'Covid-19 arrears' and any adverse information that may have been reported to the CRA's; and*
- *Provide Mr and Mrs T with information to show the current position of their mortgage and unsecured loan accounts, after making all the adjustments mentioned."*

Landmark responded to my provisional decision it said that:

- It agrees to increase its compensation award to £400
- The readjustment to Mr and Mrs T's account in August 2022 was conducted in the way I set out in my provisional decision. The interest adjustment made to the mortgage account was backdated to the initial payment date of 29 July 2022. Landmark accepts it could have made this clearer in its final response letter.
- Mr and Mrs T's credit reporting has not been impacted as a result of the Covid-19 payment deferral.
- It will send a letter to Mr and Mrs T confirming that they have been put back in the position they should have been in and there has been no impact to their credit file. It will also summarise the account position.

Mr and Mrs T's representative also responded to the provisional decision on their behalf. He said that Mr and Mrs T were happy to accept the proposed resolution to the complaint, but they needed confirmation that the backdated overpayment had been properly processed with interest readjusted accordingly to July 2022.

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 reach broadly the same outcome as set out in my provisional decision and for the same reasons. I have however also taken into account everything Landmark has said about the steps it has already taken to put things right – when making my final direction on how it needs to put things right to resolve this case.

Landmark has provided further information to confirm that the £12,000 overpayment was backdated to the initial payment date of 29 July 2022 and interest was adjusted accordingly to that date. The evidence provided includes internal notes regarding how the payment and interest adjustments were made. I accept Landmark's explanation here and I have no reason to doubt the adjustment wasn't actioned accordingly. So, I'm satisfied that this matter has now been rectified.

With regard to the reporting of the Covid-19 payment deferral, I'm satisfied that Mr and Mrs T's credit file has not been impacted as a result of the payment deferral being applied across both accounts. Landmark has provided evidence to show that no adverse information has been reported on Mr and Mrs T's mortgage account. And, because a default was recorded on Mr and Mrs T's unsecured loan account in October 2013, record of this account has now been removed from their credit file and no further information is being reported to

the CRA's. So, I'm satisfied that agreeing the Covid-19 payment deferral across both accounts hasn't led to worsening arrears being reported in any way.

That said, as I mentioned before I do think the wording in the 'Your Subsequent Notice of Sums in Arrears' letter sent to Mr and Mrs T in March 2023 is poorly worded. As per the FCA guidance, a payment deferral balance should not be considered as arrears and so Landmark may want to consider the wording contained within its letters. Specifically, the part that refers to 'Covid-19 payment holiday arrears'— as this could cause confusion to some consumers.

Considering everything, I'm satisfied that Landmark has put things right in terms of rectifying the position with Mr and Mrs T's accounts and I'm satisfied that there has been no adverse impact to their credit files as a result of Landmark's actions. In the circumstances, I remain of the opinion that £400 compensation is a fair and reasonable award to recognise the distress and inconvenience Landmark's errors have caused.

Putting things right

I direct Landmark Mortgages Limited to put things right by paying Mr and Mrs T a total of £400 compensation.

My final decision

My final decision is that I uphold this complaint and direct Landmark to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T and Mrs T to accept or reject my decision before 6 March 2024.

Arazu Eid
Ombudsman