

The complaint

Ms D complains about the way Capital Home Loans Limited (CHL) handled her requests to make overpayments on her buy-to-let mortgage.

What happened

In September 2022 Ms D called CHL as she wanted to make a lump sum overpayment of £100,000 to her buy-to-let mortgage. The adviser explained that before they could accept Ms D's payment, they would need evidence to show where the funds had come from. They followed the call up with a letter setting out the documents they would need to see.

Later that month Ms D called CHL again and said she wanted to make an overpayment of £5,000. The adviser explained they would still need to check the source of funds but there were different requirements for an overpayment of that amount, and so they said they would send another letter setting out what Ms D would need to provide.

Ms D complained during that phone call as she said she should be able to make overpayments on her mortgage at any time. She said the documents CHL had requested in their letter were confusing. CHL issued a final response letter on 25 November 2022. They said that they were bound by regulation which requires them to satisfy themselves as to the source of payments. They have a policy which applies to every customer who has a mortgage serviced by them and is in line with current industry practices. They apologised for the confusion caused by the letter they sent Ms D, as it mentioned evidence of a property sale – which didn't apply to Ms D. They paid Ms D £50 to apologise.

In April 2023 Ms D called CHL again as she wanted to make a lump sum overpayment of £80,000. She explained the money would be coming from her Individual Savings Account (ISA) and another savings account. CHL explained they would need to see three months of statements for the accounts to show the build up of the funds. CHL said once they'd approved the payment, Ms D could pay it at any time using the account details provided. CHL sent Ms D a letter setting out what she needed to provide.

Later that month Ms D sent CHL her current account statements for the months of February, March and April 2023. She also sent evidence of where the money had come from originally in 2016. Ms D complained again about the information she was having to provide. On 25 April CHL issued another final response letter explaining they didn't uphold the complaint. CHL called Ms D and explained they needed her savings statements to show there was enough money to cover the overpayment (as the statements she'd provided didn't show that). Ms D complained again. CHL issued another final response letter, and Ms D referred her complaint to our service. She explained she was frustrated that CHL were treating her in a strange way. She said she'd provided the information to show where the money came from and didn't know what else she could provide. She said it was her statutory right to reduce her loan. In May, Ms D sent CHL some more statements and they approved the payment.

Our Investigator looked into things and explained that she didn't think CHL needed to do anything more to put things right. Ms D asked for her complaint to be investigated further, and so the complaint's been passed to me to issue a 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.

Ms D is frustrated by the hurdles she feels she's had to overcome in order to pay some capital off her mortgage with CHL. I can appreciate her frustration, as during this period the interest rate on her interest only mortgage increased significantly and so did her monthly payments. So she wanted to reduce the debt. She's said that contractually she has the right to make overpayments at any time and feels that CHL delayed the matter, causing her to accrue additional interest in the meantime.

Having considered what's happened, I'm not persuaded CHL caused any unnecessary delays here. Ms D is correct that contractually she can make as many overpayments as she likes. It is an interest only mortgage and it is up to her to manage it in a way that ensures the capital balance is fully repaid by the end of the term. But CHL do also have a regulatory obligation to ensure they're carrying out due diligence when they are receiving funds. They're required to have suitable systems and processes in place, and ultimately take a risk-based approach.

CHL do have a process in place for carrying out checks when a borrower wants to make a lump sum payment to their mortgage. These checks are different depending on the amount a borrower wishes to pay – as the risk varies. Having reviewed CHL's internal policy, I'm satisfied Ms D was treated in line with this policy, in the same way that CHL treats all their borrowers.

When Ms D discussed the funds with CHL initially, she mentioned that whilst the money was hers, it was in her son's account. And so CHL asked for information to verify his identity. I understand that Ms D may have felt that was a lot of information for her to provide. But it was in line with CHL's policy, and I don't think it was disproportionate considering Ms D wanted to use funds that weren't held in an account in her own name. Ms D was later able to show that she had savings in her own name which were sufficient to make the overpayment, and CHL approved the payment.

After Ms D initially asked about overpaying in September 2022, she didn't take any further action until April 2023. The overpayment was then made in May. I'm not persuaded the time taken overall for the overpayment to be made to the account was a result of anything CHL did wrong. In the letter CHL sent Ms D in September, they did mistakenly ask for proof of the property sale, which did cause confusion. But CHL told Ms D she could disregard that request in the phone call that took place a week later. And they've paid her £50 to apologise for that.

Overall, whilst I appreciate it will come as a disappointment to Ms D, I'm not persuaded CHL need to do anything further to put things right.

My final decision

Considering everything, for the reasons I've explained, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms D to accept or reject my decision before 26 February 2024.

Kathryn Billings
Ombudsman