

## The complaint

Miss K complains about how Landmark Mortgages Limited handled a problem with payments made to the unsecured loan linked to her mortgage.

## What happened

Miss K took out a “Together” mortgage with the former Northern Rock many years ago. A Together mortgage consists of a standard mortgage alongside a linked unsecured loan, lent over the same term at the same interest rate as the main mortgage. Landmark is now Miss K’s lender.

Miss K makes her monthly payment by direct debit. Landmark collects one payment each month, and then apportions it between the mortgage and unsecured loan so that the required payment is made to both.

In July 2023 Landmark contacted Miss K to say that she had not made the required payments on her unsecured loan. She says she contacted Landmark and spoke to an adviser who told her that her mortgage was in credit by around £550 but her unsecured loan was in arrears by around £420. But she then spoke to another adviser who told her that the mortgage was up to date and the unsecured loan was £500 in credit. Having been reassured there was no issue, she took no further action.

Landmark then sent Miss K further letters – one about setting up a direct debit (even though one was already in place), and another telling her that the unsecured loan was now £600 in arrears and threatening further action. Miss K called Landmark again, and says she spoke to another adviser who told her that the mortgage was up to date and the unsecured loan was £550 in credit. She says the adviser told her the letter had been sent by mistake. So Miss K complained.

Miss K then received further letters. The third letter told her that her direct debit had been cancelled, and the fourth thanked her for setting up a direct debit.

After investigating her complaint, Landmark said that it had made an error following a conversation with Miss K on 30 March 2023. In error, it had set up the direct debit to only collect the mortgage payment, not the unsecured loan element. That meant that no payments for the unsecured loan were collected in April, May and June and that’s why Landmark contacted her in July. It accepted that Miss K was given confusing and misleading information when she called it in July. The unsecured loan was already in credit, so the missed payments didn’t make it go into arrears, they just reduced the credit amount.

Landmark said it then resolved the problem with the direct debit, but sent the wrong letters – instead of explaining what had actually happened, it just sent standard letters for cancelling and setting up direct debits. It also said that because it had adjusted the direct debit in July, there wouldn’t be time to collect the next monthly payment when it was due – but it hadn’t told Miss K how to make a manual payment either. As a result the July payment for both the secured and unsecured elements wasn’t collected.

Landmark offered to pay Miss K £250 compensation. It said that it had amended her credit file to remove the record of the July missed payment. But it said that Miss K would need to make arrangements to pay the missed payment of around £480.

Miss K wasn't happy with that and referred her complaint to the Financial Ombudsman Service. Our investigator said that Landmark had made a series of errors over several months which had caused Miss K considerable upset and inconvenience. He said it should increase the offer of compensation to £500. But it was fair that Landmark expected Miss K to make up the missed payment from July 2023.

Miss K didn't accept that. She said that Landmark should use the credit balance on the unsecured loan to cover the missed payment – she didn't understand why Landmark wouldn't let her reclaim that or use it to offset the missed payment. And she thought the compensation should be at least £1,000.

### **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.

This was the second time in less than a year that Landmark made a mistake with Miss K's payments. She changed bank account in 2022 and at first the direct debit switched over without problems, but a couple of months later it was cancelled by Landmark. Another investigator said that Landmark's offer of £200 compensation was fair for that mistake. And she said it was fair that Landmark expected Miss K to make up the payments she'd withheld pending the resolution of her complaint.

It was the resolution of that complaint which led directly to this one. Miss K accepted the investigator's outcome and contacted Landmark in March 2023 to pay off the missed payments and set up a new direct debit. Landmark made an error in setting up the new direct debit so that it only collected the mortgage payment and not the unsecured loan payment – and that caused the problems Miss K is complaining about here.

This complaint isn't therefore an isolated error. It's part of a pattern of mistakes Landmark has made with Miss K's direct debit. In the circumstances, I can understand her frustration with what happened. She's entitled to expect that Landmark will put proper arrangements in place to collect the right payments from her – and it failed to do that twice, making a further mistake as part of putting right the earlier one. It then made things worse by giving incorrect information on the phone and sending her confusing and incorrect letters.

### **Putting things right**

I think that's a relevant factor in thinking about what Landmark needs to do to put matters right. The mistake in this case followed on from, and compounded, its previous mistake. That increased the upset and frustration Miss K already felt – as well as causing her further inconvenience in trying to get matters sorted out. In the circumstances I agree that £500 is fair compensation. The guidance on awards on our website says that compensation at this level is appropriate for a series of errors that go on over time – or a single error that causes particular upset. Although Landmark compensated Miss K for the earlier mistake in the previous complaint, the fact that this second issue arose directly as a result of the previous mistake makes this, in my view, an error that caused Miss K particular frustration – over several months – and which therefore justifies a substantial award of compensation.

I also think that it's fair that Landmark has made sure that Miss K's credit file doesn't show a missed payment in July 2023 – or arrears arising from it – on the basis that the missed

payment arose from Landmark's mistake rather than because Miss K couldn't or chose not to make payment.

However, it's fair and reasonable that Landmark expects Miss K to make the payment that was missed in July 2023.

Miss K has said that as there's a credit on the balance of the unsecured loan, Landmark could simply transfer that credit from the unsecured loan to the mortgage. And I might agree with that if the credit was the result of overpayments that Miss K had made in the past. But it's not. It's the result of an earlier problem with the unsecured loan which led to Landmark having over-charged interest – it applied a credit to the loan balance to correct for that. So if Landmark were to move that credit from the unsecured loan to the mortgage balance now this would result in that redress being reversed – and Miss K being overcharged interest on the unsecured loan for the rest of the term as a result. So I don't think this is the best way forward.

It might be that Miss K has retained the July payment and can simply pay it to Landmark now. But it might also be that the money not paid to the mortgage has been absorbed into ordinary expenditure and it would be difficult for Miss K to pay two monthly payments in one month now. Landmark should therefore contact Miss K to discuss her situation with her and, if necessary, agree an affordable way of repaying the missing payment with her – whether as a lump sum or as smaller monthly overpayments.

### **My final decision**

My final decision is that I uphold this complaint and direct Landmark Mortgages Limited to:

- Increase its offer of compensation to £500.
- Agree an affordable way of making up the missed payment and not report it as arrears on Miss K's credit file in the meantime.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 13 August 2024.

Simon Pugh  
**Ombudsman**