

The complaint

Ms P's complaint is about a bridging loan she took with Spring Finance Limited. She is unhappy with Spring's communications, decisions and how it dealt with her from June 2023, as the end of the term was approaching, through to when she repaid the loan in May 2024.

What happened

The evidence in the case is detailed and substantial in volume. I have read everything but, by necessity, I have summarised events in rather less detail than has been presented. No discourtesy's intended by that. It's a reflection of the informal service we provide, and if I don't mention something, it won't be because I have ignored it.

In July 2022 Ms P had been trying to sell her home for some time. She had a mortgage on the property and three other loans were also secured on it. She approached a mortgage broker to help her arrange bridging finance, again secured on her home, to consolidate the existing secured debts and pay some legal costs. The broker recommended a loan with Spring.

The loan was arranged with a term of twelve months and, including fees, was for slightly over £250,000. Interest, charged at 10.68% per year would be rolled up onto the balance of the loan. No payments were due until the end of the term as the loan was to be repaid from the proceeds of the sale of the property. By the end of the term, the amount owed would equate to a loan-to-value of 65%, which was the maximum Spring would lend.

Ms P received just over £244,000 when the loan completed on 31 August 2022. As part of the conditions of the loan Ms P had to provide quarterly updates on the progress of the sale of her property. If the property had not sold in the first nine months, Ms P was required to discuss the situation with Spring. This was so that she and Spring could reach an agreement about how to progress the sale to ensure it happened by the end of the term, or decide on an alternative way of Ms P repaying the loan.

Following release of the funds to her, Ms P complained to Spring about the charges that had been applied, as they had not all been documented in the agreement or disclosed to her before completion. Spring Finance refunded £108 in September 2022 as a gesture of good will.

Spring contacted Ms P in April 2023 for an update on her repayment plan. She told it that the property was still on the market. She was then contacted again in May and June 2023. While Ms P said to Spring that she had responded to the May 2023 request, it has no record of her doing so. Ms P took her home off the market in May 2023.

In response to the June 2023 update request, Ms P told Spring that she had 'briefly' taken the property off the market so that it could be remarketed by a different estate agent as a fresh listing. Spring responded by asking Ms P whether she thought she would be able to repay the loan on time. It also introduced the concept of extending the term of the loan if Ms P didn't think she'd be able to pay the loan off on time. It was highlighted that if Ms P

wanted to extend the term she needed to apply as soon as possible, as the process might take some time and it was not guaranteed that an application would be accepted. Ms P didn't respond to this communication, and has said during her complaint that she has no recollection of receiving it. Spring has said it followed up this letter with two calls in July 2023; Ms P doesn't believe these calls took place.

Ms P has told us that in mid-July 2023 the final hearing for her divorce occurred, which led to confirmation of the financial settlement. She has said told us that the Court ordered the property to be sold.

On 27 July 2023 Spring wrote to Ms P asking her to contact it, as she had not responded to its emails and calls. It said that if it didn't hear from her within the next seven days, it would instruct field agents to contact her and visit her property to find out what was happening. Spring confirmed there were charges for this service that would be added to the debt. Spring also reminded Ms P that her home was at risk if she didn't make payments that were due.

Spring wrote and emailed Ms P again on 1 August 2023 reminding her again that her loan needed to be repaid on 30 August 2023. She was told that if she wasn't going to be able to repay the loan on time and would need an extension, she needed to contact it immediately. This was because an extension could take some time to be approved and it was not guaranteed that it would be. Ms P was warned that if the loan wasn't repaid there could be additional charges and recovery action could be taken, which would impact her credit file.

Ms P responded to Spring's letter of 27 July 2023 on 7 August 2023. She was not happy that the letter had been sent to her and described it as 'brutal'. She highlighted that she had spoken to Spring the previous month about the current situation and the delay in selling her home.

An exchange of emails resulted in Ms P asking to extend the term of the loan. Initially she asked for a two-month extension on 11 August and then a three-month extension on 18 August 2023. During this correspondence Ms P said she was still intending to sell the property, but given the current market, she was also looking into a remortgage to repay the loan. Spring explained that its standard extension was for six months and asked Ms P whether she would be receiving professional advice. When Ms P confirmed on 23 August 2023 that she would not be taking further advice, Spring sent her the application documents she needed to complete. It was confirmed that if the extension was not agreed and Ms P didn't repay the loan on time, she would be given two week's grace and then legal action would be started.

Ms P returned the extension application documentation to Spring on 31 August 2023 – the day after the loan was meant to have been repaid. She asked that the interest and application fee be added to the balance of the loan; to be paid off at the end of the extended term. She said that she would be repaying the loan by re-mortgaging the property and if that didn't happen within three months, it would be sold.

Spring questioned the fact that the property was not being actively marketed, given Ms P's repayment strategy. It explained to her that unless there was evidence of the exit strategy, the application could not progress. Spring told her that she would need to provide evidence of the property being marketed if she was intending to sell, and for the re-mortgage; evidence of her income, credit file, and the refinance application she had made. Ms P provided Spring with a decision in principle (DIP) from a lender on 24 September 2023, and sent in an amended application form, confirming her only exit strategy was now refinancing.

The following day Spring informed Ms P that if the fee and interest were added to the loan it would exceed its maximum lending limit. As such, it asked her whether she was able to pay

the fee and interest upfront. This was approximately £19,000. Spring has confirmed that when it assesses an extension application it uses the same figures as were provided at the time of the original application, as it saves time and potentially costs for the borrower.

Ms P responded by saying that she couldn't pay the £19,000 and confirmed that she would only be able to repay the loan by refinancing her borrowing. She highlighted that her first charge mortgage had reduced to £282,000 from the £290,000 used in Spring's calculation. In addition, she asked if Spring would consider an extension of three months and reduce the fee. Spring considered Ms P's request and confirmed to her on 3 October 2023 that it would reduce the fee to 1% from the usual 1.5%, and it also agreed to reduce the term of the extension to three months. However, it still required that Ms P pay those sums upfront. This was approximately £10,000.

Ms P then informed Spring that she didn't have any funds to make an upfront payment and needed the fee and interest added to the loan. She also said that she might not need the extension for the full three months as she was working on refinancing. On 3 October 2023 Spring confirmed that it would not extend the term of the loan without the upfront payment.

There then commenced a period of correspondence as Ms P was not happy with Spring's decision or its resulting requirement for her to repay the loan almost immediately. She asked Spring to provide her with its grounds for why it had made the decision it had and any assumptions made when doing so. Spring explained that the balance of the loan at the end of the extended term, if the fee and interest was rolled up, would exceed its maximum lending limit. As such, it needed Ms P to pay the fee and interest upfront in order to keep the lending within its limits.

Ms P suggested that Spring's calculation was faulty as it had not taken into account the reduced balance of her first charge mortgage and she also believed that the value of her home had increased slightly. As such, Ms P said she didn't agree that the addition of the fee and three month's interest would mean that the loan would exceed 65% loan-to-value. Ms P then completed her own calculations using the same property value as had been used the previous year, the additional fee and interest added, but using a lower value for the first charge mortgage. The loan-to-value Ms P calculated still exceeded 65%. She said that she expected a suitable workaround should have been suggested by Spring to allow the term extension to go ahead. She also asked Spring to reduce the fee further as she only wanted the extension for three months. Ms P also complained about Spring's decision regarding the term extension, how it had reached that decision and how it had interacted with her – she didn't think it had done enough to promote her best interests.

On 12 October 2023 Spring Finance responded to Ms P's complaint. It highlighted that the loan repayment was overdue and that it had sent her reminders about the need to repay it in the months before the end of the term. It confirmed that it had offered Ms P a six-month extension and subsequently, at her request, a three-month extension with a reduced arrangement fee. However, if the fee and interest were rolled up into the loan, it would exceed its maximum loan-to-value. Spring Finance confirmed that if the maximum loan-to-value would be exceeded, the fee and interest would have to be paid in advance. This had been explained to Ms P on 23 August 2023.

Spring Finance then went on to explain how it had calculated the loan-to-value figures. This showed that the loan balance at the end of the original term took the LTV to 65%, which was the maximum allowed. Adding additional interest and the arrangement fee would take it over that percentage. Spring Finance didn't uphold the complaint. In addition, it said that it was withdrawing the offer to extend the loan. This was because it had concluded that Ms P accepting the mortgage for which she had sent it the DIP would be better financially for her, and so agreeing to extend the borrowing further would be considered irresponsible lending.

Spring said that if substantial progress had not been made with the remortgage by 31 October 2023, it would review what options were available to it.

Ms P responded the same day and explained that she was not happy with the response or its tone, which she considered to be oppressive and passive aggressive. Ms P explained what she thought Spring should have done when she was unable to repay the loan at the end of the term and, as it had not done so, she said it had failed in its obligations as a responsible lender. Ms P reiterated that she thought the calculation Spring had made was wrong as her first charge mortgage had a lower value than it had used in its calculations – she provided documentation showing that her first charge mortgage had a lower balance than that used by Spring in its recent calculations. Ms P clearly wanted Spring to review its calculations using updated information in the hope that it would alter the outcome of its decision.

Spring responded on the same day, saying that it would reconsider Ms P's application, but it would need further information. It said it would need proof of income, an update on the refinance application and an up-to-date valuation for the property. Ms P then told Spring that she had not progressed the re-mortgage for which she had given it the DIP in September 2023, and so no valuation had been done on her property. She also objected to providing information about her income as this had not been required when she originally applied for the loan.

Spring responded the following day saying that it didn't consider there was any reason for Ms P to have stopped her refinance application, as the quicker it completed the sooner she could repay her loan. It explained that it needed the proof of income to assess affordability. This was in relation to determining the affordability of the refinancing Ms P was proposing i.e., whether a re-mortgage would feasibly be granted, but that was not explained. Spring also confirmed that it needed to know what the property was now worth as the DIP provided in September 2023 had said the property was valued at £50,000 more than it had been when the loan had originally been granted. Spring questioned whether this would have happened without improvements being done to the property.

Ms P maintained that she was not able to progress refinancing without knowing that the term extension had been granted and exactly what she would owe to Spring. She confirmed that she could not, or would not, provide the information Spring had asked for and asked that it stop requesting it. Ms P said she thought Spring was treating her unfairly. She said she wanted to complain about how Spring was treating her.

On 24 October 2023 Spring again confirmed that it would reconsider an application for a six-month extension – given that it was already almost two months since the term had expired. It confirmed it would honour the 1% fee agreement and highlighted this was lower than its standard fee. It went on to reiterate what information it needed to reconsider the application. This time it explained that it needed Ms P to provide her income so that it could evidence that she would be able to afford refinancing to repay her first charge mortgage and the Spring loan. As Ms P wanted updated figures used for the calculation, it confirmed that it would need an up-to-date valuation of the property. Ms P was reminded that Spring's limit on lending was 65% of the value of the property, including the first charge lending balance. Spring gave Ms P until 3 November 2023 to provide the information requested. It also confirmed that if the information was not provided by that date, it would assume Ms P no longer wanted the extension to the term and would proceed with legal action as the loan repayment was overdue.

Ms P continued to object to providing the information Spring wanted as she didn't think Spring should need to assess her suitability for refinance. She reiterated her comments about the previous lending decision and why she thought Spring's calculations had been

wrong. Ms P said that the delays in the extension being granted were not her fault and so she should not have to bear any additional costs caused by the delays. Ms P said that had her application been assessed in a fair way, she would be in a different position. Spring responded the same day and explained why it wanted to assess whether she could refinance. It said that as Ms P was not willing to provide the information it would not consider the application further and she would need to repay the loan immediately.

On 25 October 2023 Spring wrote to Ms P again and confirmed its decision – that as Ms P would not provide the information it would not grant an extension to the term of the loan. In light of this, it required the loan to be repaid and gave her until 1 November 2023 to do so. Spring said that it would commence legal proceedings thereafter if the loan was not repaid. It told Ms P how to request a redemption statement. There were further exchanges over the following three weeks, but there was no change in the positions of either Ms P or Spring, although Spring told Ms P that nothing she has said altered the fact that she needed to repay her loan.

During that period Ms P asked Spring to send her a copy of the complaint response from September 2022. and Spring's letter of 27 August 2023. She followed this up with a chaser for that letter and for a copy of Spring's letter of 27 August 2023. She informed Spring that she required it to provide the documents by 'return'. Spring provided the documents, but Ms P didn't believe the September 2022 complaint response was the letter she had previously been sent and was unhappy that it was sent as a Word document, that she could go into and edit. Spring confirmed it was the letter she had been sent in September 2022. Ms P submitted a data subject access request (DSAR) to Spring.

Ms P also requested that Spring give her 'breathing space' in relation to its requirement for her to repay the loan while the Financial Ombudsman Service considered the complaint. It declined the request.

On 7 November 2023 Spring issued a Formal Demand to Ms P. It said she needed to repay the loan by 21 November 2023 and provided a redemption statement to enable her to do so. The letter confirmed that if she didn't repay the loan by that date, it might take legal action. Ms P didn't repay the loan. Rather Ms P started to question the figures for the loan balance and the redemption figure she'd been provided with. She also asked that any letters sent to her were also emailed prior to or on the day they were posted.

Ms P asked Spring to delay any legal action so that she could seek legal advice. Spring declined this request. This discussion was followed on 23 November 2023 by Spring sending another letter to Ms P highlighting that she had not repaid the loan within the timescale detailed in the Final Demand. Spring told Ms P that it would instruct its solicitors to start legal proceedings in 14 days if she hadn't repaid the loan. It highlighted that due to the default there would be additional fees and charges incurred. It was also highlighted that recovery action could impact her credit file.

Ms P responded by chasing a response to her questions about the loan balance and the redemption statement. She said that she disputed the balance of the account. Ms P then expanded her requirements for information and explanations about the then balance of the loan. In addition, she indicated that she felt Spring should be responsible for any sums that accrued on the account while she awaited the information she wanted.

Spring responded to Ms P's questions the following day. It provided an explanation of the interest that had been charged and how it related to the loan contract Ms P had entered into. It also confirmed the charges were those detailed on the tariff of charges she'd been provided with. A statement was provided that detailed what had been added to the balance of the loan since the end of the term. Spring pointed out that the costs associated with its

solicitors issuing the Formal Demand had not yet been added to the account. Ms P raised further questions about figures and balances.

On the same day, separately, Spring sent Ms P the DSAR. Ms P didn't think it included everything it should have and that she'd wanted. She was also unhappy about the format of the documents she had been sent, as she now thought that they should have been provided in an editable Word format. Spring responded to say that it considered it had sent everything it was required to and more.

On 29 November 2023 Spring wrote to Ms P and apologised that the statement it had sent to her dated 23 November 2023 had been incorrect. It apologised as the statement included a broker fee, which it should not have. A revised statement was provided and, as compensation for its mistake, Spring removed the default administration charges from the account for September, October and November 2023; totalling £375. Spring also answered some further questions about the interest that was accruing and charges.

Correspondence continued, but it was not productive. On 11 December 2023 Ms P's solicitor contacted Spring to tell Spring that it had been appointed by Ms P. The solicitors asked Spring to postpone any legal action to enable it to discuss matters with Ms P. Spring said that it would be instructing its solicitors the following day to start repossession proceedings. It was also confirmed the following day that Ms P was now discussing a re-mortgage with a broker.

On 14 December 2023 Spring apologised to Ms P's solicitors for having worded its previous communications badly and indicating legal action had already been started. It informed Ms P's solicitors that it would be instructing its solicitors to start repossession proceedings that day. It said that it would not delay starting proceedings for Ms P and her solicitors to discuss matters, as there would be a significant period between claim forms being submitted and any hearing that would result, so that time could be used. Spring's solicitors submitted the claim forms to the Court the following week. A Court hearing was subsequently set for 6 February 2024.

At the beginning of January 2024 Ms P was issued with a DIP for a new mortgage from a different lender. Spring requested updates about Ms P's refinancing, but none were provided. The DIP was converted into a mortgage offer on 5 February 2024. This meant that the Court set aside proceedings at the hearing the following day for the parties to sort out payment of the loan between them. Ms P didn't provide Spring with a copy of the mortgage offer, but did allow its solicitor to look at it at the Court.

Subsequently, Ms P's solicitors offered a sum in settlement of the loan that was below the amount she owed Spring by over £14,000. This was because the amount of the mortgage advance was not sufficient to pay off all the debts and legal fees she wanted it to. During the exchanges about this issue, Ms P asked that the interest and charges applied to the account from 31 October 2023 be waived, as it was unjust for them to be applied when she was pursuing a remedy with the Financial Ombudsman Service. Spring took this to be a complaint and responded in a letter of 15 March 2024. It didn't uphold the complaint as it was satisfied that it had applied interest and fees correctly.

Ms P repaid the loan in full toward the end of May 2024.

Ms P had initially referred her complaint to this service in October 2023 as she wasn't satisfied with Spring's response. She then added in further complaint points as matters developed. While we would not usually deal with matters that had arisen following a complaint being referred to us, given the nature of this case we concluded that it would be best for the parties if we dealt with the events as a whole.

One of our Investigators considered the complaint. Initially she didn't think the tone of some of Spring's communications following Ms P complaining had been appropriate and she recommended that Spring pay £150 compensation for the upset this would have caused. However, the Investigator didn't recommend any of the remainder of the complaint be upheld. It was also confirmed that any concerns Ms P had in relation to Spring's decision about whether to accept the below balance offer she made in 2024 to settle the loan, would need to be dealt with separately, after Spring had been given the opportunity to address Ms P's concerns.

Ms P didn't accept the Investigator's findings. She said that it was never her intention to have the loan with Spring beyond October 2023 and she had asked for a three-month extension to give herself a buffer of time in the event of there being circumstances or delays beyond her control. Ms P also said that at the end of 2023 lenders withdrew interest rate products from the market and so she was not in a position to progress a remortgage at that time. Ms P also raised concerns about Spring refusing her below balance offer to redeem the loan, which she thought was unjust as the interest she couldn't afford to pay accrued while her complaint was with this Service. Ms P set out a list of things that she didn't consider the Investigator's communications had addressed and needed to be highlighted.

The Investigator commented further and concluded that following the final response letter of October 2023, and withdrawal of the offer to extend the term, it should not have muddied the waters by saying it would reconsider a term extension. In addition, she thought Spring should have given Ms P at least a month, and possibly longer, from the final response letter to get the refinancing in place before it started legal action or engaging in any further discussions about alternative options. As such, the Investigator recommended that Spring remove all legal costs it had added to the balance of the loan.

Ms P asked that Spring be required to pay her legal costs. In addition, she said she thought she would have been able to obtain a lower interest rate on her remortgage had Spring treated her appropriately. Ms P also said that she thought that she should not be required to pay interest on the loan balance at the rate detailed on the loan offer, as market rates for a normal mortgage had not exceeded 6% during the relevant period – she suggested that interest be charged at the rate detailed in the DIP of September 2023. The Investigator didn't change her conclusions.

Spring didn't accept that it had started legal action too early and believed that hindsight had been used by the Investigator in reaching the conclusion she had. It highlighted that Ms P had taken insufficient steps before the end of the term to repay the loan as agreed, changed her exit strategy and then withheld important information. Spring pointed out that had legal action been delayed, it would simply have resulted in more interest being applied to the account, which would have left Ms P in a worse financial position. Spring said that Ms P's position appeared to be that she didn't believe she should pay what she owed. However, in order to resolve the complaint, Spring said it was willing to credit Ms P's account with £2,175 (the amount of litigation fees and costs applied from 7 November 2023 plus the interest accrued) as a gesture of good will. Spring also confirmed that there was another outstanding legal bill of £660 that it had not been asked to pay yet, but when it was, it would be added to the balance of the loan.

Ms P didn't accept the Investigator's final conclusions and asked that the complaint be passed to an Ombudsman for consideration.

I issued a provisional decision on 18 June 2024 in which I set out my conclusions and reasons for reaching them. Below is an excerpt.

'Ms P's concerns about Spring's handling of her DSAR would, as we have already explained, be better dealt with by the Information Commissioners Office.

I would initially set out how we investigate a complaint. It's for us to assess the reliability of evidence, from both sides, and decide how much weight should be attached to it. When doing that, we don't just consider individual documents in isolation. We consider everything together to form a broader opinion on the whole picture.

Our enabling legislation, the Financial Services and Markets Act 2000, provides at section 225 that we are required to resolve complaints "quickly and with minimum formality". We're impartial, and we don't take either side's instructions on how we investigate a complaint. We conduct our investigations and reach our conclusions without interference from anyone else. That means I don't have to address every individual question or issue that's been raised if I don't think it affects the outcome. This allows me to focus on the issues on which I consider a fair outcome will turn, and not be side-tracked by matters which, although presented as material, are, in my opinion peripheral or, in some instances, have little or no impact on the broader outcome.

In reaching my decision, I will have regard for the law and good industry practice where relevant, but my overarching responsibility is to decide what is fair and reasonable in the circumstances.

I will start by commenting on the events and communications before the end of the term of Ms P's loan. Specifically, Ms P has objected to Spring's letter of 27 July 2023, in which it effectively told her if she didn't start communicating with it again, it would send an agent to visit her to obtain the updates it needed. It is not unreasonable for a lender to want to be kept up to date with a borrower's plans for loan repayment, especially when the repayment date is fast approaching. I note that Ms P has said she was not contacted by Spring in the run up to the July 2023 letter being sent to her. It may be that given that the other, important and likely urgent, things going on at the same time meant she didn't register Spring's calls and correspondence, but I am satisfied it did try to contact her. As such, sending a letter designed to prompt contact was not unreasonable.

In relation to the matter of the loan repayment, Spring told Ms P at an early stage that if she thought she wouldn't be able to repay the loan on time, and needed the term extended, she would need to apply as early as possible. In light of the fact that Ms P had taken her house off the market in May 2023 and hadn't arranged any other way of repaying the loan, I can only find that Ms P should have made her application earlier than she did. That would have significantly reduced the stress she has reported being associated with the application. I can't hold Spring responsible for this as it had been telling Ms P that she needed to take action as soon as possible for several months before the term ended.

As for the loan application, this was made after the original term had expired. Reasonably, something that has expired can't be extended, but despite this, Spring considered Ms P's application. Spring has explained that when it assesses a term extension application, it uses the figures it obtained when the original application was made. I can understand why Ms P was unhappy with this approach, as she believed it led to an adverse outcome for her. However, I can understand why Spring does this and I don't think it is an unreasonable initial approach. If the existing information is used, it would mean a decision can be made quickly and at no cost to the borrower.

In a situation where a borrower wants one or more up-to-date figures used, that would result in an increased timescale for the application to be assessed and potentially costs for the borrower, as reasonably, all figures would need to be updated. In this case, that would have involved Ms P providing evidence of her then current first charge mortgage balance, and the value of the property. While a formal valuation by a surveyor had not been required when

Ms P took out her loan, she at that time had a valuation from her estate agent that Spring accepted and relied on. There was no equivalent documentation available for the point that Ms P asked for the term extension as the property was no longer being marketed. So if updated figures were to be used, she would have needed to provide a valuation, with the associated costs and delay in her application being considered. When Spring agreed to review the application again in October 2023 on that basis, Ms P objected to having to pay for a valuation.

Overall, I don't think Spring was unreasonable to have initially assessed the extension application using figures that were already evidenced. Nor do I think it was unreasonable to want all figures updated if Spring was to review the application using a reduced mortgage balance for Ms P's mortgage.

As for the initial responses to Ms P's extension application, I don't think Spring's decisions were inappropriate. It has a funding model that doesn't allow its lending, along with the first charge mortgage, to exceed 65% of the value of the property. Extending Ms P's loan would have done that if the fee and interest were rolled into the balance, based on how it did the calculation. Spring could have simply turned the application down, but it didn't do that. It offered a compromise – that Ms P pay the interest and fees separately. When Ms P told it that she couldn't afford the amount requested and proposed a shorter-term extension and asked for a reduced fee; Spring agreed. Ms P was then unhappy that Spring still wanted her to pay the revised fee and interest amount upfront, as she said she had made it clear she couldn't afford to pay anything upfront. However, I am not persuaded that Ms P had made it clear to Spring that she couldn't afford to make any upfront payment. Indeed, her communication and suggestion about adjusted figures rather implied the opposite.

Following on from Spring offering to reconsider the application in October 2023, Ms P objected to Spring asking for information about her income if it were to reconsider the extension application. By this time, Ms P's only proposal for repaying the loan was to refinance. When a lender considers an application for borrowing it is required to consider whether the borrowing is, effectively, a good idea for the consumer. In the case of Ms P's request to extend her loan, with the intention of repaying it by refinancing, it was not unreasonable for Spring to want to assure itself that the plan had a good chance of succeeding.

When the extension application was first considered, Ms P provided a DIP for a new mortgage for an amount that was sufficient to repay both the existing mortgage and the Spring loan. It wasn't unreasonable for Spring to accept this as evidence that Ms P was likely to be able to refinance accordingly. However, by the middle of October 2023 there was no sign of a mortgage offer coming off the back of the DIP and that would, reasonably, raise questions as to why that was the case. Spring asked Ms P for evidence of her income to assess whether it was likely that she would be able to refinance to clear the loan. Given that lenders are required to lend responsibly, it doesn't seem unreasonable for Spring to want to assess whether Ms P had a viable repayment plan in place for the loan, so that if it was not viable, it could talk to her about looking at alternatives.

That said, I don't think it was helpful that Spring offered to reconsider the term extension application in October 2023. It had on 12 October 2023 told Ms P that it didn't think it was in her best interests for it to extend the term of the loan. This was because of how far through the proposed extension it already was and the fact that an extension would just add to the costs for Ms P. Instead, it encouraged her to move forward with the refinancing. This was not unreasonable in the circumstances. It is the basic nature of a bridging loan that it will generally be an expensive way of borrowing. The longer the loan remained outstanding, the bigger the debt would become. For Spring to then almost immediately turn around and say

that it was willing to reconsider the application would have, to say the least, diluted this message.

Ms P has said that correspondence was unclear and contradictory. I am not persuaded that was the case before she made her extension application, but I accept there were times that Spring could have better tailored its communications to Ms P subsequently. An example of this would be where it told Ms P in October 2023 that it needed her income to assess affordability. Given the previous correspondence, I think Spring would have known it was inevitable that this would have raised further questions and objections. It was not clear what Spring was going to assess the affordability of, and Ms P assumed it was affordability of the bridging loan, rather than an assessment of whether Ms P's refinancing plans were likely to succeed. However, while Spring could have been clearer at times, I don't think overall it made any difference to the situation. It was clear that Ms P was not going to move forward with plans to repay her mortgage until she absolutely had to – which was when Spring told her definitively it was going to start legal proceedings.

However, the above said, Spring did make a mistake with the statement it issued Ms P in November 2023, as it added the commission that had been paid to the broker to the outstanding balance. This was incorrect and Spring admitted it quickly and issued corrected information. In addition, Spring waived three of the default charges, totalling £375. In the circumstances, I consider this was an appropriate and proportionate sum to compensate Ms P for the error made.

I now turn to the correspondence Ms P had with a particular individual from Spring's legal team. Spring's member of staff was clearly frustrated that Ms P didn't appear to be taking any action to facilitate repayment of the loan and was attempting to distract from that with other issues. This was not appropriate on Spring's part and it is clear that the tone and language of the exchange upset Ms P.

Overall, I can only conclude there were some failings in relation to Spring's communications with Ms P and, as I have said, I don't think it tailored them to her specific needs where appropriate. I consider that some compensation for the upset and frustration this caused would be appropriate. In the circumstances, I am satisfied the £150 recommended by the Investigator is appropriate.

Ms P doesn't believe Spring treated her fairly when it decided to take legal action. I am not persuaded this is the case. Ms P had been due to repay her loan at the end of August 2023, but didn't do so. She then didn't progress refinancing to repay the loan for many months. In the circumstances where a consumer has not done what they are meant to and then doesn't take action to remedy that situation, it is not unreasonable for legal action to be taken. That said, when Spring told Ms P that it was withdrawing the option for Ms P to extend the term of the loan in October 2023, as the Investigator pointed out, it should have given her a reasonable period in which to sort out her refinancing of the debt. I have considered the events from 12 October 2023 carefully, and I consider Spring did give Ms P a reasonable period of time before it actually started legal action. While it issued a Final Demand and other letters thereafter, these letters made it clear that Spring might start legal action in the near future if Ms P didn't pay the loan off. Spring didn't actually start legal proceedings until the middle of December - two months after the final response letter. I don't consider that timescale was unreasonable in the circumstances.

I now turn to considering the interest and charges applied following the end of the term of the loan. It is a general principle that where money is owed, interest on the debt is payable. I see no valid reason for Ms P not to have to pay interest on the outstanding debt after the term ended. Ms P was aware that she had to pay the debt at the end of August 2023 and didn't do so. While she has said Spring's consideration of the term extension prevented her from

refinancing, I don't accept that is the case. When Ms P obtained the DIP in September 2023 she used the figure that would have been outstanding had she been granted a six-month extension to the loan. That was a reasonable assumption and, had she progressed that application and the timescale for the application meant that she didn't need all of the funds, the application could have been adjusted down before completion without causing delays. Ms P's broker would have known this and could have explained it to her had she been concerned about it at the time she was initially seeking advice. As such, I am satisfied that Spring was entitled to add interest to the debt throughout the period it was outstanding. Spring applied interest at the rate that had been agreed when the loan was granted. I don't consider that this was unreasonable and may have saved Ms P money, as many lenders would have applied a reversionary rate, which would generally be higher.

As for the default charges, I am satisfied that as Ms P had not repaid the loan, it was reasonable that these were charged as the loan still existing caused Spring additional work in administering it and liaising with Ms P about its repayment. However, in general, we would not expect more than one charge for administering a loan in default in any month. Nor would we expect legal charges to be applied for a period before legal action commenced. As such, I consider that the following charges should be refunded, along with any interest they attracted up to when the loan was redeemed:

<i>7 November 2023</i>	<i>£303.00</i>	<i>Legal fees</i>
<i>1 December 2023</i>	<i>125.00</i>	<i>Monthly Default Management Charge</i>
<i>1 February 2023</i>	<i>125.00</i>	<i>Monthly Default Management Charge</i>

Ms P has complained that Spring would not accept her offer to settle the loan with a sum below the amount she owed. That is not something that Spring was required to do and, given that Ms P was refinancing for a sum that would repay all of the secured lending, I don't consider that it would have been reasonable for it to have been expected to accept a reduced offer in order for Ms P to repay unsecured debts. I note that Ms P has said Spring not accepting her offer meant that she couldn't move forward with accepting the mortgage offer as she was required to repay the other debts as a condition of the offer. Having reviewed the offer, Ms P was also required to repay the Spring loan by the lender, so I don't consider this argument was a valid reason to delay moving forward with the new mortgage.

Ms P has asked that Spring be required to pay the legal costs she incurred because of the legal action it entered into. As I have concluded that Spring was entitled to start legal action when it did and it was not unreasonable that it did, it would not be appropriate for me to ask it to reimburse Ms P's legal fees as they would always have been incurred.'

In its response to the provisional decision, Spring questioned the proposed refund of management charges as these were for action that was being undertaken because the loan was in default. The Investigator provided some further clarification regarding how we viewed charging for the administration of accounts in arrears. It was explained that we considered that the charges for legal action and the default management charges both relate to the administration of the account in arrears. We considered that only one such charge should be applied for any given month. Spring made no further comment on this issue. We also confirmed the refunded charge detailed as February 2023 should have been February 2024.

As for the legal fee on 7 November 2023, Spring confirmed that this was in connection with the issuing of the Formal Demand and was not added before legal action started. As for my conclusion that Spring should have better tailored its correspondence to Ms P's needs, it said this is what it had done, especially so in connection with the correspondence I had criticised the tone of. Spring commented on Ms P's behaviour during the events in question

and considered that its communications had been appropriately robust. As such, it didn't consider the award of £150 compensation was warranted.

Ms P also didn't accept my conclusions. Most of what she said was reiterating points and explanations about what had happened, what she considered Spring had done wrong and the effect it had on her and her ability to make decisions. She provided additional email exchanges with Spring from April and May 2024 regarding information about the amount needed to repay the loan. Ms P also said that she didn't consider that Spring's lack of care for her as a customer had been taken into account in my consideration of the outcome of the complaint. She highlighted again that she had been unable to pursue refinancing her home until her application for an extension had been considered and rejected, and all of her questions had been answered to her satisfaction.

In addition, Ms P has asked that I state that Spring treated her unfairly. She also said that she feels that it is being *'let off unscathed, despite the fact that this situation would never have happened had they acted fairly.'*

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.

Initially I would like to apologise to Ms P and Spring for the two typographical errors contained in my provisional decision. Ms P has highlighted that she asked for the interest and charges to be waived from 31 October 2023, not 3 October as I detailed in my provisional decision. As can be seen, this has been corrected above and I would assure the parties that I was aware of the correct date when reaching my conclusions. In addition, I would confirm that the third charge detailed in my findings that was to be refunded was that of 1 February 2024.

Ms P has also questioned that I informed her that if she was unhappy about the sale of the original loan, she should refer it to the broker that assisted her in arranging it. While the letter Ms P sent to this service detailing her complaint didn't mention the loan having been mis-sold, it was mentioned in the earlier correspondence about the complaint and so I mentioned it for completeness. I apologise if this upset or confused Ms P.

I have reviewed the entire file again in light of Ms P and Spring's further comments. Having done so, I have not been persuaded to alter my conclusions. However, I will respond to some of the points raised.

While Ms P made significant comment on my provisional decision, other than the addition of some further email exchanges with Spring from April and May 2024, she didn't add anything new to what she had previously said. I am sorry that she feels that Spring has been 'let off unscathed', but as I explained in my provisional decision, I didn't consider Spring had, overall, treated her unfairly in its decisions regarding the term extension and legal action. While Ms P believes that she was unable to move on with her plans to refinance her home because of Spring's actions and behaviour, it remains that I am not persuaded this was the case. I still consider that she was encouraged to, and should have, dealt with her need for an extension to the term earlier than she did, and that she could have pursued the refinancing in September 2023, had she chosen to.

That said, I am still satisfied that the tone and language of the correspondence Ms P was sent by a member of staff in Spring's legal team was inappropriate. I accept Spring's point that there will be times when a lender needs to be robust with a borrower, especially when it

perceives that the borrower is not co-operating with it. However, I consider the particular correspondence went beyond being robust and clearly displayed the writer's frustration with Ms P. Lender's staff should be equipped with the skills to deal with customers they find challenging or frustrating without those feelings being evident in their communications. I note that other members of Spring's staff managed that rather better. I remain satisfied that Spring could at times also have better tailored its responses to Ms P, based on its experience of communicating with her. As such, I remain satisfied that the compensation payment of £150 is warranted.

When we assess the charges that have been applied to a mortgage or loan in arrears, we look at costs relating to pursuing legal action to repossess a property as part of the administration of the arrears. As I explained in my provisional decision, we would not expect a lender to apply two charges for a single month for the same activity. As such, I remain satisfied the monthly default management charges applied on 1 December 2023 and 1 February 2024 should not have been charged.

As for the legal charge applied because Spring chose to have its solicitors issue the Formal Demand, I don't consider that charge should have been passed on to Ms P. Spring applied a standard charge for the Formal Demand being issued and it was reasonable for it to do so. However, it was Spring's choice not to issue the Formal Demand itself and, as such, it would not seem fair for the cost of its solicitors doing so to be passed on to Ms P. Furthermore, as I have already said, it is not appropriate for legal costs to be added to an account for activities undertaken before legal action has started. While Spring has indicated that it now considers that issuing the Formal Demand is the start of its legal proceedings, that is not what is indicated in the file of papers it provided this Service. Firstly, the Formal Demand simply says legal action *might* be taken – clearly indicating that process had not started. Indeed, it was not until the middle of December 2023 that Spring confirmed that it would be starting legal proceedings. As such, I remain satisfied the legal charge applied to the loan on 7 November 2023 should not have been charged.

Putting things right

Spring should refund the following charges, along with any interest they attracted up to when the loan was redeemed:

7 November 2023	£303.00	Legal fees
1 December 2023	£125.00	Monthly Default Management Charge
1 February 2024	£125.00	Monthly Default Management Charge

Spring should also pay Ms P £150 compensation.

My final decision

My decision is that I uphold this complaint in part. I order Spring Finance Limited to settle the complaint as detailed above in 'putting things right'.

Under the rules of the Financial Ombudsman Service, I am required to ask Ms P to accept or reject my decision before 13 August 2024.

Derry Baxter
Ombudsman