

## The complaint

Mr P has complained that when he made an overpayment towards his loan, the interest rebate was applied to the loan account to reduce the loan balance and was not paid into his bank account. Mr P says Bank of Ireland (UK) Plc misled him and that this has caused him stress and put him in financial difficulty.

## What happened

Mr P contacted Bank of Ireland in order to reduce the amount of interest he was paying under his loan. Bank of Ireland spoke with Mr P on a number of occasions, setting out various options, including partial early settlement and full early settlement, and what these options would mean in terms of the amount of interest rebate that would be due.

Mr P decided to pay £4000 towards the loan account, and did so over the phone. Once he had paid this he realised that the interest rebate wouldn't be paid directly to him, but would be applied to the loan account, reducing the amount of interest payable under the loan.

Mr P immediately explained to the adviser that he'd been told the interest rebate would be paid to him directly. He said if he wasn't going to receive that money he would be in financial difficulty and was relying on the rebate to make the remaining monthly payments under the loan. The adviser tried to get the payment back but was unable to do so. Mr P complained to Bank of Ireland.

Bank of Ireland said it thought it had made clear to Mr P that the interest rebate wouldn't be paid to him directly. It said it would offer Mr P a one month payment break without any fees or charges to help him with his period of financial difficulty and offered him £125 for the trouble and upset caused.

Mr P said that £125 was not sufficient compensation for the trouble and upset he experienced as a result of Bank of Ireland's errors, and brought his complaint to this service. He said that because the one month payment holiday resulted in his direct debit being cancelled, he missed his next two payments under the loan, which had an adverse impact on his credit file. Mr P also complained that Bank of Ireland had not phoned him as promised, as part of its responsible lender procedure.

Our investigator considered the complaint and told Bank of Ireland she thought it should be upheld. She asked Bank of Ireland to pay Mr P back the £4000, deducting only the monthly payments he should've made so that the account would be up to date. She also asked it to remove the negative markers on Mr P's credit file and reinstate the original loan term and payment amounts. She didn't ask Bank of Ireland to increase the compensation it offered to Mr P for trouble and upset, as she thought £125 was fair in the circumstances.

Both Mr P and Bank of Ireland disagreed with the investigator's opinion. Mr P thought the £125 offered was insufficient and said the stress the situation had caused him was significant. He said he couldn't afford a mini break away to help with the stress of work and that he'd been forced to take time off and had therefore incurred a loss of

earnings. He also said he had to take out an overdraft for the first time in his life due to the financial difficulty Bank of Ireland had caused.

Bank of Ireland said that it thought the one month breathing space and the £125 offered was fair. It also said Mr P mentioned he would be able to borrow money from family members, so it wasn't aware of the level of financial difficulty Mr P has been experiencing.

### **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.

In doing so, I've decided this complaint should be partially upheld. I'll explain why.

I've looked carefully at the terms and conditions of the loan account, to see if Bank of Ireland has done anything wrong in the way it's applied the interest rebate on partial early settlement. The terms and conditions say, in relation to early full or partial repayment of the loan:

*“the amount you owe us will be reduced by an amount equal to the sum of the amount paid and any statutory rebate”.*

The loan agreement itself also says:

*“You can repay all or part of the credit borrowed under this Agreement at any time. If you wish to make an early repayment, please notify us by...contacting us by telephone...and paying off the amount you wish to repay (which may be reduced by a rebate)”.*

So I'm satisfied that Bank of Ireland correctly applied the interest rebate to the loan account. However, I do think it could've done more to explain clearly to Mr P how the rebate would be applied.

I've listened to the calls in which Mr P speaks to various Bank of Ireland representatives about making an overpayment towards the loan. I'll refer only to the calls I think are most relevant and not to all the calls I've listened to.

During one call, Mr P asks the adviser how long the interest rebate will take to reach his account. The adviser replies *“the interest rebate doesn't go to yourself, it gets applied to the interest on the loan”*. However, the adviser speaks quite fast and it's not easy to understand everything he says. The adviser then says the rebate will take around a week, and that part is much clearer and easier to understand. So I can appreciate why Mr P still wouldn't have been certain at this point that the interest rebate would be applied to his loan account and may have misunderstood that he would receive a payment into his bank account in around a week's time.

During the call in which Mr P makes the £4000 payment, it is again unclear until *after* Mr P has made the payment that the interest won't be refunded into his account. The adviser does explain this clearly *after* the payment is taken, and Mr P then says that is not what he was told previously. So I think Bank of Ireland could have explained things more clearly to Mr P *before* Mr P made the payment, as Mr P suggests on several occasions, and during various calls, that he is expecting the interest to be paid into his bank account.

Since the investigator's consideration of the complaint, Mr P has complained that he received a letter which said his loan account was in arrears. This turned out to be incorrect and it was confirmed over the phone to Mr P that his account was indeed up to date. I've considered this along with all the other points Mr P has made about why he thinks the compensation offered is insufficient. However, I don't agree that the current offer of £125 for trouble and upset should be increased. This is because the issue regarding the incorrect letter being sent out was resolved fairly quickly, with a phone call and I don't think it would've had a significant impact on Mr P as it was dealt with within such a short space of time.

Mr P has also said that when applying the one month breathing space to his account, Bank of Ireland cancelled his direct debit which resulted in Mr P missing two monthly payments towards his loan. I appreciate that this has had an adverse impact on Mr P in terms of his credit file and the stress this situation has brought on, but I think Bank of Ireland should put this right by removing any such adverse information from Mr P's credit file. And I think £125 is fair for the amount of trouble and upset Mr P experienced as a result of these issues.

I say this because I don't think Bank of Ireland deliberately intended to mislead Mr P, and I think it tried to do what it could at the time by seeing if the payment could be refunded. And I also understand Bank of Ireland's submission that Mr P could have mitigated his circumstances and reduced any potential financial difficulty by choosing to pay less than £4000 towards the loan or by ultimately borrowing from family as he suggested he could during phone calls.

### **Putting things right**

To put Mr P back in the position he would've been in had the error not occurred, I require Bank of Ireland (UK) Plc to:

- Pay Mr P back the £4000 he paid towards the loan account. Bank of Ireland may deduct from this any payments Mr P owes towards the loan to date, including missed payments, bringing his loan account back into the position it would've been in at the time of this decision had Mr P not made the overpayment and kept up to date with his repayments.
- Remove any adverse information recorded on Mr P's credit file.
- Reinstate Mr P's original loan term and monthly payments.
- Pay Mr P £125 for trouble and upset.

### **My final decision**

My final decision is that I uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 11 August 2020.

Ifrah Malik  
**Ombudsman**