

The complaint

Mr C complains that Bank of Ireland (UK) plc trading as Post Office Financial Services (BOI) didn't apply an interest rebate when he made a payment to settle his loan early.

What happened

Mr C had a loan agreement with BoI. The loan was taken out in 2017 and was for a term of five years at a fixed annual rate of interest of 8.9%.

He contacted BOI in May 2020 and asked it to provide him with an early settlement quotation. He received the quotation which stated that the amount required to early settle the loan was £12,772.23. The letter said this included a rebate of £1,094.70. The settlement date was 17 June 2020.

Mr C says that BoI collected a direct debit from his account on 9 June 2020 and a further direct debit on 9 July 2020. He says he wanted to early settle the loan. He tried to contact BOI in July 2020 but was unable to get through to it because the telephone lines were busy. He says he was a key worker and didn't have time to wait. So, he decided to calculate the early settlement figure himself. He deducted the two direct debit payments from the early settlement figure he'd been given previously and made a payment of £11,745.05 on 14 July 2020.

He didn't receive any acknowledgement from BOI. He noticed that a further direct debit was taken from his account in August. He complained to BoI.

BoI investigated his complaint. It said that Mr C hadn't settled his loan by the date set out in its letter. He hadn't contacted it for a further early settlement figure. It acknowledged that its phone lines had been busy because of the pandemic. But, it said that the payment made on 14 July 2020 couldn't be treated as an early settlement. It had been processed as an overpayment. This meant the term of the loan was reduced. It said it had collected further direct debits in August and September. It would collect the residual balance of £67.52 in October 2020.

Mr C didn't agree. He complained to our service. Our investigator looked into his complaint. He thought BoI had acted correctly when the early settlement figure was requested in May 2020. On balance he thought Mr C could've contacted BoI by telephone. He noted that the telephone centre was open from 8am to 7pm Monday to Friday and from 8am to 2pm on Saturday. Nevertheless, having considered everything, he thought it would be fair and reasonable, given all the circumstances here, including the large payment Mr C had made on 14 July 2020 for BoI to give Mr C an interest rebate from 14 July 2020.

BoI didn't agree. It said that the Consumer Credit (Early Settlement) Regulations made clear that the settlement date for the calculation of the rebate is where the debtor has given notice to the lender, is provided with the settlement date and pays no later than that date. It said Mr C hadn't made his payment by the settlement date and he hadn't requested a new early settlement calculation. It said there was nothing to flag up to it that he'd made a large payment.

Our investigator considered what Bol said but he didn't change his view. So, the complaint has been passed to me to decide.

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.

There is no dispute that Mr C received an early settlement quotation in May 2020. It told him how much he would have to pay to early settle his loan and it told him he would have to make that payment by 17 June 2020. He didn't make the payment by that date and he didn't request a new early settlement quotation from Bol after that date.

I've looked at the early settlement quotation he was sent. That letter included the following information:

- The interest rebate had been calculated having regards to the Consumer Credit (Early Settlement) Regulations 2004 (the Regulations). This assumed settlement will take place on the settlement date shown (17 June 2020).
- The settlement quotation remained valid until 17 June 2020. If payment wasn't made on 17 June 2020 the amount required to settle the agreement may change.
- If any direct debits are paid between the date of the letter and 17 June 2020 the total amount required to settle will be reduced by the aggregate amount of such payments.

So, having read the letter, I think it would've been clear to Mr C that if he didn't make the payment by 17 June 2020, a new quotation would be required and the new early settlement figure would be calculated having regards to the Regulations.

That meant Mr C would've needed to contact Bol to request the new figure or he would've need to carry out the calculation himself using the formula in the Regulations. Even if he had done that, the agreement made clear he needed to contact Bol to inform it he wanted to early settle the agreement. He didn't carry out the calculation using the formula in the Regulations and he didn't contact Bol, before making the payment on 14 July 2020, to tell it that he wanted to early settle at that time. The previous early settlement quotation had expired.

I think Mr C would've known, from the information in the early settlement letter he had previously been sent that the calculation was more complex than simply deducting the direct debit payments from the settlement figure – after the settlement date stated on that letter had expired.

The terms for the loan made clear that to settle the loan early, and receive the statutory rebate of interest, Mr C was required to take certain actions:

- *[You] must give us notice orally or in writing*
- *Make the repayment within 28 days of the quotation being provided*

For these reasons, if he wanted to receive the statutory rebate of interest, I would've expected Mr C to make every effort to contact Bol to get a new quotation before making a payment.

Mr C says he couldn't contact Bol to ask it for a new quotation. He says its telephone lines were busy. He says the reason for this was "covid" – but he says he was able to speak to

other financial firms at this time without any such delays. And, Mr C has told us that he was a key worker during the pandemic so he was busy and didn't have time to wait for lengthy periods on the telephone. That was why he decided to calculate the payment himself before making it.

I can understand how frustrating it is to have to wait for lengthy periods on the telephone. It would've been particularly frustrating for Mr C who was a key worker during the pandemic.

Bol has provided more information about the telephone "wait times" it was experiencing around the time Mr C says he tried to contact it.

Having looked at the average wait times and the opening hours available, I can see that in the period from 10 July 2020 to 15 July 2020, which was the period when Mr C says he was trying to phone BOI, there was an unusually high number of calls. The wait times were often longer than 30 minutes and there does appear to have been a high volume of abandoned calls.

It is the case that consumers can, on occasions, have to wait longer than might be expected to have a call answered. And, there can be reasons for that which are outside of the control of the financial organisation. However, the lengthy wait times in this instance appeared to persist over several days. Mr C says he tried calling on several occasions – so, it's likely he would've experienced long waiting times each time he tried to phone. The information provided by Bol would support what Mr C has told us about his experience.

In these circumstances, I can understand why Mr C went ahead and made the payment without following the requirements set out in the terms and conditions to contact BOI before making that payment. He says he expected BOI to treat him fairly and give him the interest rebate when it received the large payment he made.

I've considered whether, as a result of what happened, Mr C has experienced a fair outcome here.

He made the payment of £11,745.05 on 14 July 2020. That was a significant overpayment. So, I think it would've been clear to Bol, taking account of the size of the payment and the earlier request for a settlement figure, that his intention was to early settle the loan. That would've been confirmed when Mr C spoke to it in August.

Bol has told us that if Mr C had requested an early settlement quotation on 13 July 2020, he would've been told that the amount to early settle his loan was £11,885.64 (this included a rebate of £954.11). And, I'm satisfied that if Mr C had been given that figure, he would've paid the full amount to early settle the loan at that time.

In addition to the payment Mr C made on 14 July 2020, he paid a further amount of £1,094.70 before his loan account was closed. So, he paid £954.11 more than he would've had to pay if he had been able to contact BOI in July to get the correct settlement figure.

Having taken everything into consideration, I'm satisfied it would be fair and reasonable in the circumstances here, for Bol to give Mr C the benefit of the interest rebate he would've received if he had been able to contact it in July before he made the payment. So, I agree with our investigator when he said Bol should refund the interest rebate to Mr C.

My final decision

For the reasons given above I uphold this complaint about Bank of Ireland (UK) plc trading as Post Office Financial Services.

I now require it to take the following action:

- Pay Mr C £954.11 which is the amount of the interest rebate he would have received if he had been able to contact it in July 2020.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 16 June 2022.

Irene Martin
Ombudsman