

The complaint

Mr D and Ms G complain HSBC UK Bank Plc trading as first direct bank (FD) wrongly calculated interest on their mortgage account at redemption and delayed reimbursing an overpayment they'd made. And they're unhappy about the time it took FD to release their charge over the property at the Land Registry.

What happened

Mr D and Ms G had a repayment mortgage with FD secured over a property they owned.

In January 2021, Mr D obtained a redemption statement. Since he didn't know exactly when his solicitors would transfer funds, he agreed with FD he'd pay an additional amount of interest and FD would refund any overpayment.

Mr D noticed the closure statement FD sent had a zero balance even though he'd overpaid interest by around £12. He thought FD had wrongly treated all the funds he'd sent as being due to redeem the mortgage.

Mr D contacted FD straight away to discuss things. When he received notification a few weeks later that it could take several more weeks to resolve things, he rang FD again. He explained his concerns to FD several times. The refund of the amount Mr D agreed was owing was made on the day of his second call, contrary to what the FD letter had suggested would happen. Mr D wanted his complaint to be addressed even so. He also complained FD had delayed in removing their charge over the property at the Land Registry.

FD apologised for the frustration Mr D had felt by what had happened in relation to the interest. But they said the overpayment would have been picked up in due course as part of their standard audit process. They noted the process to release their security had been completed by the time they responded to the complaint and they'd send relevant documentary confirmation in due course.

Mr D wasn't satisfied with FD's response to the complaint and brought it to the Financial Ombudsman Service. Our investigator thought FD had done enough to put things right. Since Mr D didn't agree, the complaint was passed to me to review. I recently issued a provisional decision, an extract of which follows:

What I've provisionally 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.

For reasons I'll explain, I intend to come to a different outcome to our investigator.

I've carefully considered FD's explanation about how they would have identified the overpaid interest through their audit process, although the details of that aren't clear. And I acknowledge they told Mr D, when he first contacted them, that there was a note on their

file that any surplus interest should be repaid. But I'm not persuaded FD would have identified the overpayment unless Mr D had pointed it out to them.

The closure statement FD issued had a zero balance. That suggests FD had already carried out a calculation on the basis the full amount Mr D and Ms G had paid was due. I haven't seen any evidence so far that FD were due to review the account and repay any overpayment within a reasonable time frame, or at all, in line with the discussions Mr D had had with them before his solicitors transferred the redemption monies.

I can understand it was frustrating for Mr D that FD hadn't applied the funds agreed, and that he had to explain the situation several times to FD. I think it took time and effort on his part. And it's evident from the conversations I've listened to that Mr D was upset by what had happened. I acknowledge FD were apologetic, but I don't think their response to his complaint fully addressed his concerns or accurately described their process for checking for the overpayment.

I can understand Mr D wanted FD to provide written confirmation the account had been regularised, beyond what they'd set out in their response to the complaint. I think that's fair. It's reasonable for Mr D and Ms G to want an accurate record of the sums paid to redeem their mortgage outside the complaint correspondence.

FD acknowledged the time they took to process the release of their security had already exceeded their usual timeframes by the time Mr D spoke to them in mid-February. I can understand Mr D was concerned the charges over the property should be removed promptly. I'm not aware it caused any practical difficulties for Mr D and Ms G. And I note this had been completed when FD responded to his complaint in mid-March, although they hadn't provided written confirmation by then. But I can understand it added to the frustration Mr D was already feeling about the redemption process and overpayment.

Bearing everything in mind, I think the level of service FD provided fell below what Mr D and Ms G could reasonably expect. And I think it's fair and reasonable for FD to compensate them for that.

To put things right I think FD should:

- 1. Provide Mr D and Ms G with a closure statement that accurately reflects the amount paid, amount overpaid, and amount refunded, or, alternatively set that out in a letter to Mr D and Ms G.*
- 2. Pay Mr D and Ms G compensation of £300 to reflect the distress and inconvenience caused over a period of around seven weeks.*

My provisional decision

I intend to uphold Mr D and Ms G's complaint and direct HSBC UK Bank Plc trading as first direct bank to

- 1. provide Mr D and Ms G with a closure statement that accurately reflects the amount paid, amount overpaid, and amount refunded, or, alternatively set that out in a letter to Mr D and Ms G; and*
- 2. pay Mr D and Ms G compensation of £300 for distress and inconvenience.*

Developments

Both Mr D and FD have provided some comments on my provisional decision.

In summary, Mr D feels FD weren't straight forward, even when responding to the complaint, in saying their processes would have led to the overpayment being identified in due course. And that caused him additional distress. He says the delay in releasing the charge did cause some practical difficulties since he and Ms G were divorcing at the time. It was important, in that context, that the security was released in a timely way, which is why Mr D needed to chase FD. They also needed accurate information about the redemption figure. Mr D says delays in clarifying the position led to additional work on his part in explaining things to the divorce lawyers, and further work and costs on the part of the lawyers.

FD say the redemption figure message they sent was clear about how much Mr D and Ms G had to pay. They query why the solicitors couldn't tell Mr D when they would be sending the payment, as that would have avoided the difficulties which arose as a result of Mr D sending too much.

FD don't agree with the level of compensation I've proposed of £300. They say the overpaid funds were repaid to Mr D and Ms G, and relevant documents to release the charge over the property were filed at the land registry, within two weeks of Mr D contacting them. They're prepared to pay £100 and refund the overpayment.

FD dispute what I said about whether their processes would have led to the overpayment being identified. They say the bank would have identified any overpayment of interest and refunded any surplus in due course.

FD are able to provide a letter to Mr D and Ms G confirming the amount they paid, the amount they overpaid, and amount FD refunded.

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.

I've thought carefully about what the parties have said in response to my provisional decision.

I'm sorry to hear of the personal difficulties Mr D and Ms G were going through that led to the FD mortgage being redeemed. I can understand they were both under stress at the time.

I acknowledge FD's point that the solicitors ought to have been able to let Mr D know when they planned to transfer funds to redeem the mortgage. But Mr D had discussed things with FD and agreed he'd overpay to avoid transferring less than was needed to pay the mortgage off. So, from then on it was FD's responsibility to make sure any overpayment was appropriately flagged and repaid.

Although I acknowledge FD are confident the overpayment would have been identified and repaid in due course, they haven't explained their process which would have led to that outcome. For the reasons I set out in my provisional decision, I'm still not persuaded they would have identified the overpayment if Mr D hadn't contacted them. And I can understand Mr D was disappointed when FD didn't acknowledge they'd made a mistake when they responded to the complaint.

FD's records suggest they'd refunded the overpayment and taken action to release the legal charge over the property by around 19 February and that they confirmed that to Mr D verbally at the time. So, on reflection, the time taken wasn't unduly long and I'm not aware

Mr D had made it clear to FD the reasons he and Ms G needed things to happen quickly. I acknowledge FD responded to their complaint on 25 February 2021, so that's around a month after Mr D first contacted them to complain. But Mr D wanted written confirmation of the figures – which I've said he and Ms G should fairly be provided with. So, from their point of view, their concerns were continuing.

And, I need to take into account Mr D and Ms G's individual circumstances when thinking about the impact FD's actions had on them. I can understand the uncertainty about the redemption figures will have caused particular concern given their personal circumstances at the time. On balance, bearing everything in mind, I still think fair compensation for the distress and inconvenience they were caused is £300.

Putting things right

I see no reason to change my mind about the action needed to put things right as set out in my provisional decision.

My final decision

I uphold Mr D and Ms G's complaint and direct HSBC UK Bank Plc trading as first direct bank to

1. provide Mr D and Ms G with a closure statement that accurately reflects the amount paid, amount overpaid, and amount refunded, or, alternatively set that out in a letter to Mr D and Ms G; and
2. pay Mr D and Ms G compensation of £300 for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D and Ms G to accept or reject my decision before 26 August 2022.

Julia Wilkinson
Ombudsman