

## The complaint

Mr D told us he had to sell his house not long after purchase. He complains about how much he paid Accord Mortgages Limited to redeem his mortgage. He thought he had paid more off the loan, and he didn't think he should have to pay an Early Repayment Charge ("ERC").

## What happened

Mr D remortgaged to Accord. He said he had that mortgage for 11 months, but it wasn't made clear to him he would have to repay significantly more than he borrowed. Mr D said he borrowed £148,500. He paid at least £630 per month for 11 months, and got no help during Covid. He said his repayments should've brought the loan down to around £141,570 but to settle the loan in April 2022 cost him £149,737.82, more than he'd originally borrowed.

Mr D said Accord told him that included an ERC of just over £3,650 as well as a separate £90 fee for redemption. But Accord had told him in February 2022 the ERC would be no more than £2,500. Mr D also said he wrote to Accord and told it he was struggling financially, which was why he needed to sell the property. Mr D said he didn't think it was fair for Accord to charge an ERC on this account under the circumstances, especially one of almost £4,000.

Mr D said Accord had been really unsympathetic, it had done nothing to help or support him and had given misleading information. Mr D wanted the ERC refunded, or at least some of the money he had repaid.

Accord said it accepted its agent gave Mr D some wrong information when he spoke to it on 17 February 2022. Its agent had worked out the ERC amount wrongly. But importantly, Accord said Mr D was given the correct figure on the statement it issued on 1 February. And the agent didn't make any mistake on the call of 17 February about the overall cost of redemption. The agent just worked out wrongly how much of that was made up of the ERC. Mr D had asked for this to be confirmed, so he was sent a secure message on 23 February, which again got the ERC right. Finally, Accord said Mr D had already told it he was planning to sell the property, before this call.

So Accord thought this mistake had a limited impact on Mr D. It offered to pay Mr D £70 for his complaint, but it wouldn't do more than this. It wouldn't refund the ERC he paid.

Accord wrote to Mr D again, when he complained about the amounts he'd paid to his mortgage over the 11 months he held it, and what he was asked to pay at the end. It said it had already explained it was entitled to charge an ERC. And for the rest, it thought part of the issue was that Mr D's figures weren't right.

Accord also said that some of the problem was also that Mr D expected any payment he made to Accord would be used to reduce the amount he owed. Accord said that each month, some of Mr D's payment was used to cover the interest then the rest was taken off the balance owing. So in January 2022, when he paid £630, more than half of that, £385.20, was used to pay the interest on his mortgage, only what was left was used to reduce his overall borrowing.

Accord said it didn't feel it had been greedy, or failed to support Mr D.

Our investigator didn't think this complaint should be upheld. He said he sympathised with Mr D's situation, but he didn't think Accord had to waive the ERC it had charged, or that it had charged Mr D too much.

Our investigator said Accord had properly notified Mr D of the ERC on his mortgage. And he said that ERCs are intended to reflect the cost to the business of borrowers redeeming a particular mortgage early. So our investigator didn't think it would be fair to ask Accord to refund all or part of the ERC when he didn't think it had done anything wrong.

Our investigator didn't think Accord was asked to put a temporary arrangement in place, to take account of Mr D's financial difficulties. Mr D did ask about letting the property in September 2021, but he only said he wanted to rent his property out for an extra income. Accord asked for some additional information to consider the request – which our investigator said was fair, because the risks of lending on a rented property are different to the risks of lending on someone's home. But it didn't look as if Mr D replied to this, so the request wasn't taken any further.

When Mr D missed payments, he told Accord it was nothing serious and he'd just forgotten to pay. So Accord didn't offer any support. If he'd said he was struggling, it might have been able to offer some temporary help. But that help doesn't usually include waiving the ERC's, because there is a cost to the lender if someone pays back a mortgage early.

Our investigator said Accord did make a mistake when its agent gave the incorrect ERC figure on the phone. But our investigator didn't think that influenced Mr D's decision to sell the property.

Our investigator sought to explain that some of the money Mr D had paid towards his mortgage each month had been used to pay the interest on the loan. Mr D's mortgage offer said that overall, Mr D would pay back £1.87 for every £1 borrowed. And Mr D took out this mortgage through a broker, so it wasn't Accord's responsibility to explain this to him.

Our investigator said he'd taken account of everything that happened here, but he still thought a payment of £70 was reasonable to compensate Mr D for the inconvenience Accord caused him.

Mr D didn't agree. He wanted the maths of his mortgage to be accurately calculated. He said that if the figures were right, then customers were being ripped off. He wanted to know where all his money had gone.

Our investigator said some of the figures Mr D had used weren't right. Mr D borrowed £148,750, not £148,500. Our investigator said it's difficult to work out how much interest Mr D should have been charged, but he'd done some calculations, and he didn't think Mr D had been overcharged interest. And he said that looking at what Mr D borrowed, deducting what he paid back, then adding back on the interest he was (properly) charged, as well as the ERC that he was properly notified of, our investigator came to the same total as Accord.

Our investigator said that if Mr D had been experiencing financial difficulties, then we'd expect lenders to look at ways of assisting him. But our investigator said up until Mr D asked about paying back the mortgage, he hadn't told Accord about this.

Mr D said that as soon as he realised he needed to sell, he contacted Accord, but it still charged him the full ERC. It had told him the ERC was only £2,500, so if he was expecting to

pay anything at all, it was that. And Mr D said he told Accord he was in financial difficulties in January, but didn't sell until April. In the months between, Accord did nothing to help.

Mr D wanted his complaint to be considered by an ombudsman, so it was passed to me for a final decision.

### **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 reached the same overall conclusion on this complaint as our investigator.

Mr D said that he wasn't happy with how much he paid overall on his mortgage, and he wanted us to make sure the maths was right. Our service doesn't audit mortgages, so I cannot provide a definitive response on this for Mr D. But our investigator did look at the figures, and he couldn't see anything wrong with what Accord had done. I've looked too, and I can't see any mistake here.

Mr D said he wasn't expecting to pay back more than he had borrowed. But a mortgage is intended to be long-term lending. Mr D paid this mortgage off after less than 11 months. I understand the reasons why Mr D did that, and I'm sorry to hear about the difficulties he's faced.

However, when Accord offered him fixed rate lending for two years, it also told him about a charge for repaying the whole mortgage before the end of this period – the ERC. As our investigator said, that's not pure profit for Accord. It's not just being greedy. The ERC is there to cover the loss Accord makes if Mr D pays back the lending during these first two years, when the interest rate is fixed. So I don't think it was unfair or unreasonable for Accord to charge this. I don't think it was just ripping Mr D off.

Mr D said he wasn't expecting to pay any more than £2,500 in an ERC, as that's what Accord told him. But Accord set out that it corrected this mistake quickly. And importantly, on the same call, it gave Mr D correct information on the overall cost of his redemption. So the mistake was in how much of his redemption cost was made up of ERC. It wasn't in how much he had to pay in total, to clear his mortgage. So I think Mr D was always expecting to pay what he did eventually pay, in total. And because of that, I think that Accord's offer of £70 is enough to provide a fair and reasonable outcome to this part of Mr D's complaint.

I can see that Mr D did ask about letting out his house. I don't know if Mr D could have avoided selling his home if Accord had approved that. But Mr D didn't tell Accord at that time that he was in financial difficulties, he said he just wanted to keep the house as an extra income. And it doesn't look like he did ever reply to the additional questions that the letting team asked him at the start of October, and then again in November. I think that's why this proposal didn't go ahead.

Mr D also said he told Accord in January that he was going to sell his house because he was struggling financially, and it didn't do anything to help him then. But I think that Mr D had already decided to what was, unfortunately, the most sensible thing in the circumstances. He had decided to sell his house, and he did so quickly.

There are a number of things our service will sometimes ask lenders to do, when someone's struggling to make their payments to a mortgage. I've considered if any of the help we might expect Accord to offer might have assisted Mr D. And unfortunately, I don't think it would

have made a difference here. Any short term help with his payments would only have been likely to increase the amount he had to repay when his house was sold only a few months later – so it wouldn't make a difference in the longer term. And I don't think we can reasonably ask Accord to waive its ERC in this case, for the reasons I've set out above.

I know Mr D will be disappointed, but I don't think Accord has to do more than it has offered, which is pay Mr D £70. I can't see that Accord has paid this money to Mr D, so I'll award that here, but I'll also allow Accord to count towards that award, any money it has already paid, in case Mr D has accepted its offer and received this money.

### **My final decision**

My decision is that Accord Mortgages Limited must pay Mr D £70. Accord Mortgages Limited can count towards that award any money it has already paid Mr D for this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 14 October 2022.

Esther Absalom-Gough  
**Ombudsman**