

The complaint

Mr A is unhappy AI Rayan Bank PLC (“AI Rayan”) told him he had an outstanding balance on his Home Purchase Plan (“HPP”) following its redemption.

What happened

Mr A got a new job abroad and decided to let his home while he was away. Mr A approached AI Rayan on 9 March 2022 to request a redemption statement, so he could move to a lender that could offer him a buy-to-let mortgage. Mr A says he was told if he paid the full amount on the redemption statement before 1 March 2022 then he wouldn’t need to make his next contractual monthly payment (“CMP”) on 1 March 2022. Mr A says, based on this information, he phoned AI Rayan to cancel his direct debit on 25 February 2022 as his completion date was set for 28 February 2022.

On 3 March 2022, AI Rayan contacted Mr A to say he had an outstanding balance of £1,140 on his HPP. And that as he had missed his payment, the redemption was not complete. So, Mr A would like AI Rayan to refund the final CMP to acknowledge the stress and inconvenience the misinformation caused him at what was already a difficult time, moving his family abroad and finding tenants for his old home.

AI Rayan looked into Mr A’s concerns and agreed the call handler he spoke to on 9 March 2022 gave him incorrect information which led him to believe the redemption statement showed the full and final figure required to settle the account, so long as it was redeemed before 1 March 2022. AI Rayan explained the redemption statement was actually produced on the basis the account would be redeemed on 2 March 2022. AI Rayan offered Mr A £50 in compensation but confirmed Mr A still needed to make the payment as his account was in arrears and couldn’t be closed.

As Mr A remained unhappy, he referred his complaint to this service. Our investigator looked into what happened and said AI Rayan should pay Mr A an additional £50 in compensation. AI Rayan agreed, but Mr A didn’t accept, so the complaint was 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.

Having done so, I think Mr A’s complaint should be upheld, and I’ll explain why.

AI Rayan has accepted Mr A was given misinformation over the phone on 25 February 2022. This is what led Mr A to believe the figure stated on his redemption statement was the full sum he would be required to pay, excluding the direct debit due to be taken on 1 March 2022. So, I think it was fair for AI Rayan to uphold Mr A’s complaint and offer him some compensation. I now need to decide whether I think the amount AI Rayan has offered is fair in the circumstances, bearing in mind Mr A thinks it should waive his final CMP.

I've thought about what Mr A's asked for but I don't think it would be reasonable to ask Al Rayan to waive the outstanding balance on his account. I appreciate finding out his account wasn't closed when he thought it would have caused Mr A unnecessary stress. Particularly considering, he was starting a new job, moving his family to a new country, and making arrangements to let his home all at once. It's clear Mr A would have had a lot of things to sort out and this gave him an additional problem that was avoidable. That said, the CMP outstanding on Mr A's account is legitimate debt of his and I don't think the misunderstanding is significant enough to warrant compensation of over £1,000.

I say this because the ombudsman service is an informal dispute resolution service, and our awards are often lower than other more formal services, such as the courts. We recommend awards to recognise the impact a business' mistake has had on a customer if its warranted, but our awards aren't designed to punish businesses – that's the role of the regulator – the Financial Conduct Authority.

While I've acknowledged Mr A's personal circumstances above, I also need to think about the extent of Al Rayan's error and how quickly it was resolved. The error was simply a misunderstanding during a phone call. The call handler's comments about the redemption figure showing the full amount required to settle the account were based on a settlement date of 2 March 2022 – after the direct debit would already have been deducted. And the redemption statement confirmed the following:

“Please note that the total amount outstanding is calculated on the basis that your next monthly HPPBTL payment will be paid by the date due. As such this monthly payment has been deducted from the total amount outstanding.”

So, I think Mr A had information that highlighted there was a discrepancy, but I can't see he queried it further. And although Mr A phoned Al Rayan again on 25 February 2022 to cancel the direct debit, having listened to the call, I don't think the call handler had enough information to correct the misunderstanding. The call was brief – around three minutes long. And the call handler did imply that it would be better to leave the direct debit in place so adjustments could be made if necessary. But as Mr A insisted it should be cancelled to ensure he didn't overpay, the call handler informed him he could cancel the direct debit online himself for his own peace of mind. If Mr A hadn't done this, the final payment could have been taken and his account would now be closed.

Al Rayan wrote to Mr A to inform him he'd missed a payment, so he was informed of the shortfall quickly. And following his complaint, Al Rayan investigated Mr A's concerns and explained what had gone wrong within around two weeks of receiving the complaint.

While I don't doubt Mr A found the whole thing very stressful, I don't think Al Rayan is responsible for all of the stress Mr A says he was experiencing at the time. It's more likely than not some of his stress was due to the lifechanging events he was sorting out at the same time. Al Rayan mitigated the impact of the misinformation it gave by updating Mr A as soon as possible and apologising for its part in the confusion caused. So, I agree with our investigator that an award of £100 is reasonable in the circumstances.

Mr A should contact Al Rayan to arrange making the payment now if he hasn't already.

Putting things right

Al Rayan Bank PLC should:

- Pay Mr A £100 for the stress and inconvenience caused.

My final decision

For the reasons explained above, I do not uphold Mr A's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 27 April 2023.

Hanna Johnson
Ombudsman