

## **The complaint**

Mrs N and Mr N complain about the way The Mortgage Works (UK) Plc (TMW) applied overpayments to their mortgage balance.

## **What happened**

Mrs N and Mr N had a mortgage with TMW that they were planning to redeem in 2022. In May 2022 Mr N spoke to TMW to ask about the overpayment allowance, as he was planning to pay some money towards the mortgage to reduce the Early Repayment Charge they'd have to pay at redemption.

Mrs N and Mr N made an overpayment to the account on 23 June 2022. TMW wrote to Mrs N and Mr N on 3 August acknowledging the overpayment. The letter confirmed that the new monthly payment would be £271.26 with effect from August. However, Mr N says he didn't receive that letter until 24 August. In the meantime, on 16 August Mr N had complained to TMW as the direct debit amount had not been amended for the month of July, and they hadn't heard anything from TMW confirming what the new payment would be after the overpayment had been made. He said he'd tried to call TMW but disconnected the call after a long wait.

On 22 August 2022 Mrs N and Mr N made another overpayment to their account. On 19 September Mr N wrote to TMW again as he hadn't received an acknowledgement to his complaint. He complained that they hadn't been notified of the new direct debit amount and when it would apply. And that TMW's website indicated that repayments would be recalculated and applied the month after the payment was received. He was also unhappy his complaint hadn't been acknowledged.

On 29 September 2022 TMW wrote to Mrs N and Mr N acknowledging the August overpayment. The letter said the new monthly payment with effect from October would be £262.11. TMW acknowledged Mr N's complaint on 5 October and apologised for the delay.

On 13 October 2022 TMW sent Mrs N and Mr N a redemption statement for the mortgage, Mr N responded the same day with questions about the statement and the balance but didn't receive a response. The mortgage was redeemed in November 2022.

TMW issued their final response letter to the complaint on 1 December 2022. The letter explained that TMW expect to complete processing of overpayments with seven working days and unfortunately that timescale was significantly exceeded. TMW said interest is recalculated from the first of the month, they sent Mr N a breakdown of the interest charged on the mortgage, and they said this showed the amount of interest charged was reduced following the overpayments. TMW apologised for the delay in acknowledging and responding to the complaint, and for not replying to Mr N's email in October. They paid Mrs N and Mr N £250 to put things right.

Mrs N and Mr N brought their complaint to our service. They didn't feel the resolution offered by TMW did enough to put things right. Our Investigator looked into things, but was satisfied TMW didn't need to do anything more to resolve the complaint.

Mr N asked for the complaint to be referred to an Ombudsman, so it's been passed to me to issue a 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.

TMW have acknowledged there were delays in how Mrs N and Mr N's overpayments were processed, as well as delays in responding to Mr N's emails. So what I need to decide is whether the £250 they've paid to put things right is fair and reasonable in all the circumstances.

I've looked at the transaction history for Mrs N and Mr N's mortgage account. I can see that the overpayments were applied to the mortgage balance on the same day that they were received. The balance was reduced at the same time. The interest has been adjusted on the first day of the following month. So I'm satisfied that the delays caused by TMW's administration and processing haven't resulted in any errors to the amount Mrs N and Mr N owed, as the payments were applied to the account correctly.

Mr N has pointed to information available on TMW's website about how overpayments should be applied to the account. This said (at the time in 2022) that if an overpayment is made, the following would happen:

- The payment is credited to the account.
- The balance is reduced immediately, the interest due is reduced at the end of the month.
- On the first day of the next month, the interest due for that month is calculated based on the reduced mortgage balance.
- The monthly payments are usually re-calculated.

The part of the process that was delayed for Mrs N and Mr N was the re-calculation of the monthly payments. TMW have accepted these should have been adjusted for the months following the overpayments, but instead it took two months for them to be changed. As a result, Mrs N and Mr N made higher payments in July and September than they should have done, had the overpayments been processed within the normal timescales.

The overpayments made as a result of the higher direct debits in July and September reduced the mortgage balance when they were made. As a result, less capital remained and so less interest was charged afterwards, than if lower payments had been taken. I can see TMW asked Mr N if he and Mrs N had incurred any other costs or losses as a result of those higher payments being taken, and it doesn't seem they did. The mortgage was redeemed in November – and that redemption figure took into account the payments Mrs N and Mr N had made to the mortgage up to that point. As a result, I'm not satisfied Mrs N and Mr N have experienced a financial loss as a result of TMW's mistakes.

However, the customer service Mrs N and Mr N experienced throughout this period was disappointing. They were trying to get their affairs in order to redeem the mortgage later that year, and I can appreciate it would have been worrying for them not knowing if the payments they'd made had been credited to the account properly. However, I'm not aware they experienced any distress beyond that worry, and the inconvenience of having to chase TMW when they hadn't received a response to their complaint or email. I appreciate Mr N would like TMW to make a payment for each error they made, but we do not make awards to punish businesses. Overall, considering everything, I'm satisfied the £250 TMW have already paid Mrs N and Mr N is a fair and reasonable amount to reflect the distress and inconvenience caused by their errors.

**My final decision**

Considering everything, for the reasons I've explained, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs N and Mr N to accept or reject my decision before 27 February 2024.

Kathryn Billings  
**Ombudsman**