

The complaint

This complaint is brought by the executors of the late Mr M's estate, in relation to an equity release lifetime mortgage Mr M and his late wife (Mrs M) had taken out in. One of the joint executors, Mr W, has dealt with the complaint throughout with the consent of the other executor.

Mr W has complained about the amount of interest that was charged on the mortgage after Mr M passed away in 2022. He says that, although the mortgage was redeemed midway through February 2023, interest was charged for the whole of February and so a refund is due.

To settle the complaint Mr W wants Landmark to refund all interest from redemption to month end, pay 8% daily interest on this and to pay him compensation of £50 for the time and trouble involved in dealing with the complaint, and to cover the distress he has been caused.

What happened

In 2005 Mr and Mrs M took out an equity release mortgage. As is common with this type of loan, there are no set monthly repayments; instead interest rolls up against the total debt. The mortgage provided Mr and Mrs M with an initial lump sum of £20,000, and monthly income of £736. The mortgage was originally taken out with another business but was later taken over by Landmark. I am sorry to note that Mrs M died in early 2022, and Mr M in July 2022. The equity release mortgage was redeemed in 2023.

Mr W believes Landmark has overcharged interest. He says that, although the mortgage was redeemed on 16 February 2023, Landmark charged interest for the whole of the month. He therefore believes the estate is due a refund of interest for the period 17-28 February inclusive.

Landmark didn't uphold the complaint. It explained that the interest charging method for the loan was monthly rest. Therefore interest is charged from the date on which the money is advanced until and including the last day of that month. Therefore the redemption statement would be the same whether or not the mortgage is redeemed on the first or last day of the month in question.

Dissatisfied with Landmark's response, Mr W brought the complaint to our service on behalf of the estate. An Investigator looked at what had happened but didn't think Landmark had done anything wrong. Mr W asked for an Ombudsman to review the complaint.

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've reached the same conclusion as the Investigator, for broadly the same reasons.

The mortgage offer says that the loan was subject to monthly rest interest. Generally lenders use two methods of calculating mortgage interest – daily rest and monthly rest.

Where a daily rest method is used, interest is calculated on the previous day's balance. For a standard repayment mortgage, when a repayment is made, interest is calculated the next day on the reduced balance. It is therefore more beneficial for borrowers whose mortgages are subject to daily rest to make their monthly repayment at the start, rather than at the end, of the month.

Where the charging method is monthly rest, interest is calculated based on the previous month's outstanding balance. It therefore makes no difference whether a repayment is made at the start or end of the month as the interest calculation for the month will be the same.

In the case of Mr and Mrs M's mortgage, there were no repayments, only monthly drawdowns, which attracted interest calculated on a monthly rest basis. This meant that interest was due in full for the entire month.

In the circumstances, I'm satisfied that Landmark hasn't overcharged interest on this account. The mortgage terms provide that interest is charged in full for the entire month. This means that, no matter when a repayment – either a partial repayment or full redemption of the mortgage – is made, the interest charged for that month will be the same.

Because I'm satisfied that Landmark has done nothing wrong, there is no basis on which it would be fair or reasonable to order Landmark to make any payment to the estate.

I also note that Mr W is claiming compensation for the trouble, upset and distress caused to him in having to bring this complaint. However, I must explain that, under our rules, we can make awards of compensation for distress and inconvenience – but only to an eligible complainant. Mr M would have been the eligible complainant, as he was the mortgage account holder.

Mr W is representing Mr M's estate, but Mr W has no entitlement to be compensated for any distress and inconvenience he says was caused to him personally whilst performing his duties as executor. In addition, the estate of a deceased consumer can't experience feelings of distress or inconvenience. This means that there is no basis on which Mr W is entitled to claim compensation for distress and inconvenience, either to himself personally or on behalf of the estate.

My final decision

My final decision is that I don't uphold this complaint.

This final decision concludes the Financial Ombudsman Service's review of this complaint. This means that we are unable to consider the complaint any further, nor enter into any discussion about it.

Under the rules of the Financial Ombudsman Service, I'm required to ask the estate of Mr M to accept or reject my decision before 5 March 2024.

Jan O'Leary
Ombudsman