

## The complaint

Mr H complains about the interest Principality Building Society has charged on his mortgage.

## What happened

Mr H took a new mortgage with Principality, completing on 2 August 2023. Principality wrote to Mr H after his mortgage began saying that it would take his first payment of £781.06 on 1 October 2023, and that it would also collect £1,069.72 of interest for the period 2 August to 30 September on that date.

Mr H didn't think that was correct. He said that Principality should take the first payment of £781.06 on 1 September, and only charge interest until 31 August – not 30 September – ahead of the first payment. Mr H thought this meant he would lose out financially and so he complained.

Our investigator didn't think Principality had acted unfairly. So Mr H asked for an ombudsman to make a decision about his 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.

The terms and conditions set out when payments will be collected, including when the first payment is to be made. They say:

### 3.6. In relation to the first **payment day** for any **loan**:

3.6.1. The first **payment day** will occur in the **month** following the one in which the **loan** is made unless:

3.6.1.1. the **loan** is made on a later day in the **month** than the **payment day**,  
or

3.6.1.2. the **payment day** is on or after the 26th of a **month**, in which case the first **payment day** will occur in the second **month** after the one in which the **loan** is made.

3.6.2. **You** will pay the **initial interest** with the first **monthly payment** on the first **payment day**.

3.6.3. **We** will confirm the first **payment day**, **initial interest** and the amount of each payment in writing after the **loan** is made.

Words in bold have a specific meaning. "We" and "you" is Principality and Mr H respectively, and "loan" is his initial mortgage advance. Otherwise:

- "initial interest" means the interest on the loan between the date the loan completes

and the last day of the month before the month in which the first monthly payment is due

- “month” means a calendar month
- “monthly payment” means the monthly payment set out in the mortgage offer
- “payment day” means either the day selected by Mr H, or if he did not select a day, the day of the month the loan completed – though if that date is after the 26th, it will be the 26th.

Mr H’s mortgage is over a term of 25 years – the mortgage offer confirms that this means 300 monthly payments.

The due date for Mr H’s mortgage was the first of each month. Condition 3.6 says that the first payment will be due in the month after the loan completes – unless the due date is before the completion date.

Mr H’s mortgage completed on 2 August. The due date was the first of each month. The second of the month is after the first of the month. As condition 3.6.1.1 says, the loan was made on a later day (the second of the month) than the payment day (the first of the month). So, as condition 3.6.1.2 says, the first payment day was in the second month after the one in which the loan was made. The loan was made in August, so the first payment day was in the second month after August – on 1 October.

Mr H has a repayment mortgage over 25 years. He will have to make 300 monthly payments beginning on 1 October 2023. And in addition to that, as condition 3.6.2 says, he has to pay the initial interest for the period between 2 August and 1 October. He paid that interest, together with his first monthly payment, in October.

I’m therefore satisfied that Mr H’s loan has operated as it should have done, and in line with the terms and conditions.

I’ve also thought about whether Principality misled Mr H about how his mortgage would operate, or whether it gave him incomplete information. In thinking about that I’ve borne in mind its obligations under the regulator’s consumer duty, which came into force on 31 July 2023, just before the mortgage completed.

Having thought about that, I don’t think Principality gave Mr H misleading information, and I don’t think it gave him insufficient information to understand how his mortgage works. It set out in the offer and the terms and conditions how it would operate, and it also wrote to Mr H on completion to tell him what payments he would need to make and when. It couldn’t do that before the loan completed because it didn’t know exactly what date it would complete – and as I’ve set out above, the completion date determines when Mr H’s first monthly payment falls due and how much initial interest there is to pay for the period before that payment. In all the circumstances, I think Principality did enough to make sure Mr H could understand how his mortgage operated and what he’d need to pay when. And so I don’t think it acted unfairly.

### **My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 4 March 2024.

Simon Pugh  
**Ombudsman**