

## **The complaint**

Mr and Mrs M complain that Accord Mortgages Limited didn't explain how their new Buy To Let ("BTL") mortgage worked, and in particular, that they would be paying interest in advance on this mortgage.

## **What happened**

Whilst this complaint is brought by both Mr and Mrs M, as the mortgage is in both their names, our dealings have been with Mr M. So I'll mainly refer to him in this decision.

Mr M said he'd taken two BTL mortgages out at the same time, one with Accord and one with another lender, whom I won't name here. Mr M was unhappy with how Accord was managing his mortgage, and he compared it unfavourably to the other mortgage.

Mr M said he had complained, but Accord hadn't understood his complaint. The mortgage was drawn down in February 2024. He paid interest on the mortgage in February, 14 days after Accord released the funds. Mr M said Accord seemed to think he was concerned about this February payment, but he wasn't.

Mr M said he was concerned that Accord was charging him in advance for interest on the mortgage. He had to pay at the start of March, for interest that hadn't yet been accrued, to cover the interest which would be charged in March. His other mortgage, with the other lender, was drawn down at the same time, but on that mortgage, he didn't have to pay at all until April, so was paying interest in arrears.

Mr M thought this was unfair. He said it didn't match what was set out on the offer, and Accord was just blaming his broker for not explaining this to him, which Mr M also thought was unfair.

Accord didn't think it had done anything wrong. It said Mr and Mrs M's mortgage offer had explained how interest would be charged. And it had charged them in line with that offer. Accord said if Mr M had not understood this, then the responsibility for explaining it before the mortgage was taken out lay with Mr M's broker. Accord said that it hadn't treated Mr and Mrs M unfairly or made any mistakes, so it didn't think their complaint should be upheld.

An investigator considered this complaint, and said that he was satisfied the terms of the loan were communicated to Mr and Mrs M in the mortgage offer before they decided to proceed with the loan. He didn't think Accord had made a mistake.

Mr M didn't agree. He said Accord repeatedly told him on the phone that he was not paying interest in advance, but he thought he was. He wanted to know what we thought of that.

Due to staff moves within our service, a different investigator then considered Mr M's complaint. She said their mortgage offer was clear about how and when they would be charged. And this is an unregulated BTL mortgage, so Accord isn't responsible for this in the same way as it is responsible for a residential mortgage. She also said Accord was right to say Mr and Mrs M's broker should have explained the mortgage to them. She didn't think

incorrect information was given by Accord. She understood that Mr M's other mortgage was calculated differently, but she said it was up to each lender to set that.

Mr M repeated that on his second call with Accord, he was told he was not paying interest in advance. And Mr M said he thought the terms were ambiguous. Mr M set out an alternative option, which he thought would also fit with the terms, but wouldn't require him to pay a whole month in advance. Mr M said Accord should have explained that he would be asked to start paying back the interest almost straight away, and in advance of it being incurred.

Our investigator said that the BTL product that Mr M took out isn't a regulated mortgage product. That's because a BTL mortgage is considered an investment, and therefore a business venture, so doesn't fall under the consumer regulations set out by the Financial Conduct Authority. And she said that when a broker is involved in the sale of any mortgage, some responsibilities that would ordinarily fall to the lender, transfer to the broker. So here, the broker was responsible for explaining this product to Mr and Mrs M.

Because no agreement was reached, this case was then passed to me for a final decision. And I then reached my provisional decision on this case.

### **My provisional decision**

I issued a provisional decision on this complaint and explained why I did propose to uphold it. This is what I said then:

Mr M says the core of his objection to this mortgage is that he is being charged advance interest, because the charge Mr M pays at the start of each month is used to cover interest which will be accrued during that month. Mr M says it's not compatible with this product for him to be charged in this way. But it's up to each mortgage lender to set out how it will charge interest, and I don't think it's automatically unfair for Accord to have chosen to apply interest to this mortgage in this way.

Mr M says it was clear from the mortgage offer he received, that he would have to pay some initial interest 14 days after the funds were drawn down, to cover the interest charged up to the end of the first calendar month. So he said he was expecting to make that payment. But he says it wasn't clear from the offer he received that he would then have to pay the first monthly mortgage payment, at the start of the next month.

I've looked carefully at the offer Mr and Mrs M received. I can see they were told that their first payment would be made around 14 days after the funds were drawn down. But I don't think it is then clear that the first full monthly payment on this mortgage will be in March, not April. Mr M was clearly expecting to make his first payment in April.

Accord has said it's the responsibility of the broker to explain to Mr and Mrs M the details of the mortgage they are taking out. As a general point, Accord is right to say a broker should explain the mortgage to its clients. But here, I haven't been able to see anything in the documentation which explains this particular point to the broker. And Accord is responsible for providing documentation which clearly sets out the detail of the mortgage it's offering.

That doesn't mean Accord has made a mistake by charging Mr and Mrs M in March, or that there is something fundamentally wrong with how this mortgage is set up. It just means that I think Accord ought to have been clearer that this is how its mortgage would operate.

I can see that the first payment letter which Accord sent to Mr and Mrs M did make clear

when their payments would be requested, but Mr and Mrs M had already committed themselves to this mortgage by then. I think this should have been clearer before Mr and Mrs M agreed to take out the mortgage.

So I have to think about what Mr and Mrs M would have done, if the information had been available to them about how this mortgage works, before they took out this lending. I think it is unlikely that Mr and Mrs M would have changed their minds about this lending just because of that. Mr and Mrs M have indicated that they are experienced landlords, and I think it's likely they would still have taken this lending, rather than choose a more expensive lender who worked out interest differently. But I do think Accord should pay some compensation to Mr and Mrs M, in respect of the inconvenience they've experienced, having to find a large mortgage payment rather earlier than they expected.

Because I don't think Accord is doing anything fundamentally wrong in how it operates this mortgage, I don't think it has to change how it charges Mr and Mrs M now. Mr M can make changes to this mortgage if he wants to. He can pay at the end of the month, instead of at the start.

I think there is another point I need to consider here, and that is the calls that Mr M has had with Accord since the mortgage was taken out. Mr M said that Accord repeatedly denied charging interest in advance, and he'd brought this case to our service partly because he wanted to be clear that this is what Accord was doing.

I have listened to the calls. I can hear that on 1 March, Mr and Mrs M talked to Accord, and Mr M raised a complaint then about the payments schedule for this mortgage. He said another mortgage he took out at the same time didn't ask for payment until April, so he wanted to know why he was being charged in March.

The call handler Mr M first spoke to, said that the first payment for March was for the whole of March. This call handler was clear that Mr M would be paying for the month he was in. She said if he wanted to class that as payment in advance, some people do, but she was clear that this was how Accord operates its mortgages. Mr M then spoke to a complaint handler, who also told Mr M that he was paying in advance, for the upcoming month. So on Mr M's 1 March call, I think Accord was clear and consistent about how this mortgage operated.

Mr M then spoke to a different complaint handler on 19 March, and I don't think this call was as well handled. The person Mr M spoke to then didn't appear to accept that Mr M's monthly payment for each month covered interest incurred in that month, rather than the month before. I do think that this had been explained to Mr M previously, but I don't think it assisted with the resolution of this complaint, that this complaint handler contradicted the clear messages Mr M had been given on his 1 March call.

So I don't think that Accord is doing anything wrong, in how it charges Mr and Mrs M for this mortgage. It doesn't have to operate this mortgage in the same way as other lenders. But I do think it's poor service for Accord not to make this clear in its offer literature.

Accord is then responsible for explaining this mortgage to Mr and Mrs M, while it is in place. And I think this was explained to Mr M on the first call he had with Accord. However, the second call Mr M had with Accord was contradictory and confusing, so I do think there is another example of poor service here.

So I do think that two points of the complaint Mr and Mrs M have made to us should be

upheld. And I think Accord should pay Mr and Mrs M £350 in compensation for the lapses in service that it has provided. I think that would provide a fair and reasonable outcome to this complaint.

I invited the parties to make any final points, if they wanted, before issuing my final decision. Both sides replied.

### **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.

Mr M replied to say he thought this was a good assessment and fair decision. But Accord replied to object.

Accord noted my view that it wasn't clear the first full monthly payment on Mr and Mrs M's mortgage would be in March, not April and that Mr M was clearly expecting to make his first payment in April.

Accord said that at offer stage, it's not in a position to say when the funds will be released. So it said it can't set out in the mortgage offer when the first payment will be due after the initial interest is paid. Accord said that was why it tells its customers a letter will be sent later to confirm these details. So Accord said it felt strongly that this was not an error or poor service for which compensation was necessary.

Accord said that would only leave the issue of incorrect information being given. It said some compensation should be paid for this, but not £350. So Accord asked me to recalculate the redress.

It's true to say that Accord doesn't know, when it makes an offer, exactly when this may be drawn down. But I don't think that means it wouldn't be possible to explain the payment schedule to Mr and Mrs M, before they accepted the offer and drew down the mortgage.

I note that some other lenders offer a hypothetical date for drawdown, and then set out the payment schedule which would apply to this. Here, Accord did offer a hypothetical date for drawdown. I can see that the offer, in the section headed "6. *Projected total monthly payments*" said "*The above projected payments assume that your mortgage will start on 01 December 2023*" but Accord didn't then set out a payment schedule based on drawdown on that date, which may have made things clearer for Mr and Mrs M.

It's not for me to tell Accord how to address this in future. But I don't think it was fair and reasonable not to set out information Mr and Mrs M might reasonably want, before they entered into this mortgage. I include the above simply to set out that I don't think, as Accord has suggested, that this problem was unavoidable.

For the above reasons, I haven't changed my mind. I'll now make the decision I originally proposed.

### **My final decision**

My final decision is that Accord Mortgages Limited must pay Mr and Mrs M £350 in compensation.

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

Esther Absalom-Gough  
**Ombudsman**