

The complaint

Mr Z's complaint is about a buy-to-let (BTL) mortgage he used to hold with Topaz Finance Limited trading as Rosinca Mortgages.

Mr Z says that on redemption of the mortgage Topaz charged him an additional amount of £653.81 which he believes it was not entitled to. Mr Z would like Topaz to refund this.

What happened

I don't need to set out the full background to the complaint. This is because the history of the matter is set out in the correspondence between the parties and our service, so there is no need for me to repeat the details here. In addition, our decisions are published, so it's important I don't include any information that might lead to Mr Z being identified. So for these reasons, I will instead concentrate on giving a brief summary of the complaint, followed by the reasons for my decision.

Mr Z took out an interest-only BTL mortgage with a lender I will call ME. Initially the monthly repayments were charged "in arrears" – meaning that interest charged in one month would be collected the following month. However, in June 2005 ME switched to a new accounting system, where it would collect interest in the month it fell due, so collecting interest "in advance". Mr Z's mortgage was switched to this system on 4 June 2005.

In order to avoid Mr Z needing to pay two payments in one month at the point of change – so one payment in arrears and one in advance – ME instead calculated the interest for the period 4 June 2005 to 30 June 2005 and 'ring fenced' it, to be paid on eventual redemption of the mortgage. This amounted to £653.81. It didn't attract any additional interest, but was simply the deferred interest from June 2005 that ME was entitled to be paid.

ME didn't tell customers at the time, but in 2007 Mr Z took a product switch, and the offer explained there would be a final payment of £653.81 due on redemption. In the annual statement sent to Mr Z in 2012 there was a detailed explanation of the change ME had made to its accounting system in June 2005, and why there would be a payment due on redemption of £653.81. This was referred to as 'conversion interest'.

The mortgage was transferred to Topaz in 2018. In 2024 Mr Z wanted to redeem the mortgage. He noticed the £653.81 on the redemption statement and queried it with Topaz. Mr Z thought that Topaz had made this change to his mortgage and that he was out of pocket because he'd never missed a payment and so couldn't understand why this had been added to his redemption statement.

Mr Z complained to our service. He said he'd never been told about the additional interest by ME, and also thought it was unfair for Topaz to charge him this additional month's interest, which he believed Topaz was not entitled to.

An Investigator looked at what had happened. He thought the complaint about ME not telling Mr Z about the conversion interest had been brought too late for us to consider. He also

didn't think Topaz had treated Mr Z unfairly when it charged the conversion interest on redemption of the mortgage.

Mr Z 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.

In a decision dated 28 May 2025 I explained why I wouldn't be looking at the complaint that ME hadn't told Mr Z about the conversion interest – because it is out of time under our rules.

I will now go on to consider Mr Z's complaint that Topaz acted unfairly in adding the conversion interest to the redemption figure.

I've taken note of what Mr Z has said about this – which is that he believes it is something Topaz added to the mortgage account and that Topaz therefore asked him to pay £653.81 that it wasn't entitled to. However, the conversion interest arose out of ME's changes to its accounting system which took place in 2005. It has therefore been owed since June 2005.

Given this, I'm satisfied that the £653.81 isn't a figure Topaz has arbitrarily added to the mortgage redemption figure. It's money that has been owed since 2005, initially to ME and later to Topaz. I think it was reasonable for this interest to be ring-fenced in this way, as it ensured that Mr Z didn't have to make two payments in one month in June 2005, which may have caused him financial hardship.

The annual statement from 2012 (the earliest available) contains a very detailed explanation about the conversion interest that, if he'd read it, I'm satisfied Mr Z would have understood. I understand this information had also been included in earlier statements (from 2009, which are no longer available) and in later statements. The £653.81 attracted no interest, and so there has been no detriment to Mr Z in this payment having been deferred from June 2005 until redemption of the mortgage in October 2024.

In the circumstances, I'm satisfied that Topaz didn't act unfairly when it included the £653.81 on the final redemption statement.

I can understand Mr Z's strength of feeling, but I hope my explanation clarifies how and why this additional payment arose, and reassures him that he has not incurred any financial loss.

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 Mr Z to accept or reject my decision before 26 June 2025.

Jan O'Leary
Ombudsman