DRN-5414112

The complaint

Mr B and Mr B (who I'll refer to as Mr B1 and Mr B2) complain that Allica Bank Limited sent incorrect redemption statements for their secured commercial loan. They say they've lost about £6,000 as a result.

Mr B1 and Mr B2 have been represented in bringing this complaint – I'll refer to their representative as Ms S.

What happened

Mr B1 and Mr B2 had a secured loan with Allica. They decided to sell the security property and asked Allica for a redemption statement in March 2024. Mr B1 and Mr B2 say that based on this they agreed a sales figure for the property.

Mr B1 and Mr B2 contacted Allica in June 2024 for an updated redemption statement. They found out the redemption amount in the March 2024 redemption statement was about £6,000 less than the actual redemption amount.

Ms S says that Mr B1 and Mr B2 had carefully accounted for every penny on the sale proceeds and costs. She says they were left about £6,000 short of the funds they planned to use in future, and this error caused them a great deal of stress and worry.

Allica made errors in the March 2024 redemption statement – the amount quoted was too low by about £6,000. It made errors in the first redemption statement issued in June 2024 – the amount quoted was too high. Allica sent a correct redemption statement later on the same day in June 2024. The sale of the property completed shortly after Mr B1 and Mr B2's preferred date.

Allica says the calculations were done manually and these were human errors. It apologised for having initially told Mr B1 and Mr B2 there was a system error. It initially offered £100 compensation and later offered compensation equal to interest at 8% simple on the disputed amount (which would total about £470), in addition to the £100 previously offered.

Allica didn't agree to pay compensation for financial loss or financial impact without evidence of how Mr B1 and Mr B2's business was affected.

I sent a provisional decision to the parties. In summary, I said Allica made errors which likely caused Mr B1 and Mr B2 stress and inconvenience. I said it's offer of compensation of about £570 was fair and reasonable compensation for this. I said the available evidence didn't demonstrate that Mr B1 and Mr B2 had suffered financial loss due to Allica's errors.

Ms S agreed on behalf of Mr B1 and Mr B2. Allica didn't respond to my provisional 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.

I should first explain that this service is not a regulator and we don't have the powers of a regulator – for instance to fine or punish a business. Our role is to resolve disputes quickly and with minimal formality, to decide what's fair and reasonable in the circumstances. If we find that a business has made an error, we can require it to pay compensation or take other steps to put matters right. When deciding what the business should do to put matters right, we consider what effect its error had on the customer.

I should also explain that where evidence is contradictory or incomplete, I make a decision on the balance of probabilities – that is, what I think would most likely have happened in light of the available evidence.

There's no dispute that Allica made errors. It gave an incorrect redemption amount when it issued redemption statements in early March 2024 and mid-June 2024.

The amount Mr B1 and Mr B2 paid when they redeemed the loan was correct and in accordance with the loan terms and conditions. So in that sense they are not out of pocket.

What Mr B1 and Mr B2 say is that they made plans based on the redemption figure they were given in March 2024. They say they marketed the property and negotiated a sale price based on this incorrect figure. They say if they'd had correct information they'd have marketed the property at a higher price or decided not to sell the property.

The redemption figure given to Mr B1 and Mr B2 in March 2024 was about £606,000. This included an early redemption charge. This had been mis-calculated. The redemption figure should have been stated as about £612,000. The property was sold for over £1,200,000. The completion statement states the net sales proceeds after costs as about £585,000.

£6,000 is not an inconsequential amount of money. But I need to consider whether, in the context of the amount of the loan and the amount that the property was sold for, it was sufficiently significant for Mr B1 and Mr B2 to change their plans.

Mr B1 and Mr B2 didn't provide information about their reasons for selling the property or how they intended to use the sale proceeds. Ms S said the funds were for their future plans.

Based on the available evidence, I can't fairly find that Mr B1 and Mr B2 would have decided not to sell the property in 2024 if Allica had given them the correct redemption figure. And I can't fairly find they'd have been better off if they had done so. They'd have continued to pay interest on the loan. They wouldn't have had use of the sales proceeds for their plans. If they'd waited, they might not have been able to sell the property for a higher or even the same amount in future.

Mr B1 and Mr B2 are suggesting that they'd have sold the property for more – and would have been able to do so – if they'd been given the correct redemption figure in March 2024. I don't find that credible. I can't see why, if Mr B1 and Mr B2 were able to sell the property for more, they wouldn't have done so.

It seems that completion might have been delayed by a day or two. If so, it's not clear that this was solely due to errors by Allica with the redemption statements or whether there were other reasons for this. Mr B1 and Mr B2 didn't provide evidence of the completion date they'd agreed with their purchaser. Mr B1 and Mr B2 didn't provide evidence that any delay with completion caused them financial loss – for instance, that they paid damages for breach of the sales contract.

As I said, Mr B1 and Mr B2 didn't explain what their plans were for the net sales funds. They didn't provide evidence that they were unable to proceed with these plans.

Mr B1 and Mr B2 don't have to provide information about their circumstances and plans – it's their choice whether to do so. But based on the available evidence, I can't fairly find that Mr B1 and Mr B2 suffered financial loss due to Allica's errors. I don't think it's fair and reasonable to require Allica to refund £6,000 or pay compensation to Mr B1 and Mr B2 for financial loss.

Mr B1 and Mr B2 say this caused them stress and worry. Allica gave them an incorrect redemption figure in March 2024 and a further incorrect redemption figure in June 2024. This was shortly before the sale of the property completed. Mr B1 and Mr B2 had to ask for the redemption statement to be corrected and re-issued. It cost them more to repay the mortgage then they'd expected, based on the redemption figure given to them in March 2024. This would have been inconvenient and, given the timing, stressful. Mr B1 and Mr B2 are upset that Allica initially said the errors were due to a system error and later said they were human errors.

I need to take into account the wider circumstances here. If Mr B1 and Mr B2 had provided evidence they needed all of the net proceeds from the sale immediately (for instance, for a simultaneous purchase) I might have reached a different outcome. There's no evidence that was the case here. The sales proceeds were more than sufficient to repay the full amount owed to Allica and the other costs related to the sale. Mr B1 and Mr B2 didn't provide information or evidence about their plans for the net proceeds or how these plans were affected.

Taking all of this into account, I think Allica's offer to settle the complaint is fair and reasonable in the circumstances. That is, to pay £468.74 (equivalent to 12 months interest at 8% simple on the disputed amount of about £6,000) in addition to the £100 compensation it had previously offered.

The secured commercial loan was in Mr B1 and Mr B2's names. They are the complainants under our rules. Ms S told us she had to work out the redemption amount and discuss this with Allica. She says this was extremely stressful. Ms S said she found dealing with Allica since March 2024 and dealing with Mr B1 and Mr B2's complaint since June 2024 stressful. We can't generally require businesses to pay compensation to third parties or for stress or upset caused to third parties. So while I sympathise with Ms S, I can't require Allica to pay compensation to her.

My final decision

My decision is that Allica Bank Limited should pay £568.74 to Mr B1 and Mr B2, as if offered to do. It can of course deduct any amounts already paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B1 and Mr B2 to accept or reject my decision before 22 April 2025.

Ruth Stevenson
Ombudsman