

The complaint

Mr and Mrs C complain about the amount of the early repayment charge (ERC) applied by Accord Mortgages Limited when they asked for a redemption statement for their mortgage. Mr and Mrs C say they took out the mortgage on the basis the ERC would only apply to 0.1% of the mortgage balance.

Mr and Mrs C would like to be able to repay the mortgage with an ERC in line with their expectations. They say Accord should refund some of the interest they've paid since they requested a redemption statement.

What happened

Mr and Mrs C took out an offset mortgage with Accord in early 2024. The mortgage was recommended by a broker.

Mr and Mrs C took out a fixed interest rate product which applies until April 2026. An ERC is payable if the mortgage is repaid during the product term. The mortgage terms allow Mr and Mrs C to make unlimited overpayments without incurring an ERC.

In early 2025 Mr and Mrs C were considering repaying the mortgage and asked Accord for a redemption statement. The redemption statement said the ERC was 2.5% of the whole mortgage balance – about £13,500. Mr and Mrs C say this isn't right. They say the ERC should only apply to 0.1% of the balance. They say this is how they'd understood the ERC to work when they took out the mortgage, based on the information provided by Accord. Mr and Mrs C say they wouldn't have taken out the mortgage if they'd known the ERC would apply to the whole balance if they repaid the mortgage.

Accord says the overpayment allowance only applies to overpayments. It says the ERC applies when the mortgage is repaid in full and this is the fee paid by the customer to leave the product. It says it gave Mr and Mrs C correct information about this.

Mr and Mrs C say they're unable to refinance because of the ERC. They have a higher monthly payment than they expected and have had to cut back other spending.

Our investigator said it was clear in the mortgage offer that the ERC applies differently to overpayments than when the mortgage is repaid. He said Accord didn't provide any misleading information about this.

Mr and Mrs C didn't agree and asked that an ombudsman reconsider 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.

What does the mortgage offer say?

The mortgage offer issued in February 2024 says an ERC is payable if the mortgage is

repaid during the product term. The amount of the ERC (the percentage and the maximum amount) is set out under the heading “Early repayment” in the form of a table. The mortgage offer says Mr and Mrs C will incur an ERC if they repay (redeem) the mortgage in full or repay in excess of the overpayment limits set out in the part of the mortgage offer headed “Flexible features”.

The part of the mortgage offer headed “Flexible features” says there are no restrictions to making overpayments. However, it goes on to say that if Mr and Mrs C repay the mortgage in full the ERC will apply based on the original loan amount.

In summary, Mr and Mrs C can make overpayments without paying an ERC. But if they repay the mortgage in full (as they’d have to do in order to remortgage) they will incur an ERC on the original loan balance.

I think, based on the terms set out in the mortgage offer, Accord is entitled to apply the ERC to the whole balance if Mr and Mrs C redeem the mortgage.

But that’s not the end of the matter. Mr and Mrs C say Accord should only apply the ERC to 0.1% of the balance because it misled them that this is how the mortgage works.

Why do Mr and Mrs C say they were misled about how the ERC would apply?

The wording in the mortgage offer about overpayments was different to the mortgage illustration issued in mid-January 2024. The mortgage illustration wasn’t issued by Accord but Accord says it’s a reasonable reflection of the product terms as regards overpayments and the ERC.

The ERC was set out in the form of a table. Under the heading Overpayments, the mortgage illustration said:

These are restricted to 99.90% of the outstanding balance per year. You are able to make overpayments to the sum of 99.90% of the loan amount on any part of this mortgage in each 12 month period.

Overpayments which exceed these restrictions will incur an early repayment charge, as specified in the section headed “Early repayment”, on the amount of the excess.

The broker noticed the different wording in the mortgage offer and asked Accord for clarification. I’ve set out the relevant part of the response from Accord’s underwriter below:

“As the product has now been withdrawn, there is limited information that I have available as we do not get too involved with products in underwriting.

However, I am having a look at this product doesn’t appear to have been advertised as ERC free. It appears that overpayments are 99.9% which would suggest overpayments up to a total of 99.9% of the outstanding loan per year are allowed without any charge. Any amount repaid over the 99.9% limit will incur an Early Repayment Charge on the excess amount (in line with the mortgage offer).

Mr and Mrs C say they – and their broker – took this to mean that the ERC would only be applied to the amount repaid in excess of 99.90%, including when the mortgage was redeemed. They say that being able to make unlimited overpayments must include repaying the mortgage in full.

I understand the points made by Mr and Mrs C. But I need to take into account all of the

information that they were given. In particular the mortgage offer which set out the terms that they agreed to when they took out the mortgage.

I don't think the information provided by Accord about how the ERC would apply if the mortgage was repaid in full was unclear or misleading so as to make it fair and reasonable to require Accord to waive the ERC.

First, the email from Accord's underwriter was sent in response to a question from the broker. The question was: "Would you mind confirming by email that the applicant can make unlimited overpayments with no ERC's? The overpayments section says unlimited overpayments, but the ERC's section shows normal ERCs so just wanted something in writing from Accord to send on the client".

If the broker had asked what would happen if the mortgage was repaid in full and received an unclear or incorrect response, I might reach a different outcome. But the question was only about overpayments.

The mortgage illustration says on the first page "The information below remains valid until 15/01/2024. After that date, it may change in line with market conditions. This document does not constitute an obligation for Accord to grant you a loan."

I think Mr and Mrs C were aware that the wording in the mortgage offer about overpayments and the ERC was different to the mortgage illustration. The mortgage offer was the basis on which Accord offered to lend. When Mr and Mrs C took out the mortgage they agreed to the terms in the mortgage offer.

I think the mortgage offer is clear that the ERC applies to the whole mortgage balance if the mortgage is redeemed. In particular, I find it hard to interpret the provision:

If you repay the loan in full or transfer to another product during the early repayment charge period the early repayment charge, stated in the "Early repayment" section, will be based on the original loan amount or amount transferred and disregards any payments (including usual monthly payments) you make which may have reduced the total amount borrowed.

as meaning anything else.

It follows that I don't think it's fair and reasonable to require Accord to waive the ERC if Mr and Mrs C repay the mortgage during the product term.

Did Mr and Mrs C suffer loss due to an error by Accord?

Even if I thought Accord misled Mr and Mrs C about how the ERC would apply (and that's not the case), that doesn't necessarily mean I'd find it fair to require Accord to waive the ERC. I'd need to be persuaded that this resulted in them acting differently – that they wouldn't have taken out the mortgage if they'd understood how the ERC worked.

Based on the available evidence, I think it's unlikely Mr and Mrs C would have acted differently. The broker's recommendation says:

You told me that you would like the stability of having payments that would not be subject to change for a period of time... I have recommended a 2-year fixed rate mortgage. This is because you wanted the stability of having guaranteed monthly payments during the early years of the mortgage, but as you are completing renovations to the property which you anticipate adding considerable value and you

anticipate interest rates to go down over the next couple of years, you wanted the flexibility to review your options without penalty in 2 years time...

From our discussions, you told me that the following were also important to you:

- No tie-ins after the introductory period
- The need for a quick completion
- Free Valuation / Valuation Fee Refunded
- Free Legal Costs / Legal Costs Refunded
- A linked savings account which you can use the balance of to offset interest charged on your mortgage account.

The recommendation doesn't say it was important for Mr and Mrs C to be able to refinance within the product term without incurring an ERC. If that had been their priority, I'd expect there to be some record of this.

What the recommendation does say is that Mr and Mrs C wanted the stability of monthly payments that wouldn't change for a period of time. That would usually mean taking out a fixed rate product. I think it's unlikely Mr and Mrs C would have been able to find a lender offering a fixed interest rate product with no ERC, or an ERC that only applied to 0.1% of the mortgage balance.

Mr and Mrs C are disappointed they can't redeem the mortgage without paying an ERC on the full balance. I think this is made clear in the mortgage offer. And I think it's likely Mr and Mrs C would still have gone ahead with the mortgage if they'd known the ERC would be applied to the full balance if they repaid the mortgage during the product term.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C and Mr C to accept or reject my decision before 9 December 2025.

Ruth Stevenson
Ombudsman