DRN-5768323

The complaint

Ms F complains that Mortgage Agency Services Number Five Limited (MAS5) charged an unfairly high rate of interest on her mortgage and hasn't properly compensated her for it.

What happened

Ms F took out her mortgage with GMAC-RFC Limited in 2006. It was later transferred from GMAC to MAS5. The mortgage was on the lender's standard variable rate (SVR) with an initial discount until April 2008. From April 2008 onwards it was on the SVR with no discount. The mortgaged property was sold and the mortgage repaid in July 2019.

On 1 October 2024 MAS5 wrote to Ms F, explaining that it had received a decision from the Financial Ombudsman Service on another borrower's complaint. As a result of that decision, it had reviewed the interest rate it had applied to other mortgages, including Ms F's. It had calculated that Ms F had overpaid interest on her mortgage and was due £7,126.32 compensation.

MAS5 said it had received the decision in question from us on 6 November 2023, so it had calculated redress for the six years leading up to that date and compensation had therefore been calculated to start from 1 November 2017. Ms F had repaid her mortgage on 25 July 2019 so the refund of mortgage interest ended on that date. Interest on the refund had been calculated to 1 November 2024.

On 7 October 2024 Ms F made a complaint. She wanted MAS5 to pay her more compensation for charging too much interest, at least for the six years leading up to 2019 when she repaid the mortgage.

MAS5 wouldn't agree to pay further compensation, so Ms F referred her complaint to us. Our Investigator thought that Ms F's complaint about the interest charged before she repaid the mortgage should be time-barred, and he didn't think her complaint about the amount of compensation MAS5 had paid under the redress scheme in 2024 should be upheld.

Ms F didn't accept the Investigator's conclusions, so her complaint was referred to me to decide.

I provisionally concluded that this complaint shouldn't be upheld, but some of my findings and reasoning were different to our Investigator's. So I issued a provisional decision to give Ms F and MAS5 the opportunity to let me have any further information they wanted me to consider before I made a final decision.

My provisional decision

I provisionally concluded that I can only consider the fairness of the interest MAS5 charged Ms F from 7 October 2018 onwards (but bearing in mind earlier rate variations as part of all the circumstances of the complaint). I then said:

> "<u>What I've provisionally decided about the parts of the complaint I can consider</u>

The period for which MAS5 has compensated Ms F for overcharged interest goes beyond 7 October 2018. MAS5 calculated and paid compensation covering the six-year period before it received our decision about the fairness of its SVR in November 2023, and I think that was a fair approach for it to have taken in Ms F's case.

While it took nearly a year for MAS5 to write to Ms F and to pay her compensation, I'm satisfied that she hasn't been disadvantaged by the time it took. Compensation ran from November 2017 and interest on the refund ran to November 2024, by which date the compensation payment had been made. And for the reasons I've explained above, I can't require MAS5 to refund interest on Ms F's mortgage beyond the period for which it has already refunded her.

I'm also satisfied that MAS5 has taken a fair approach to compensation. Ms F's mortgage was on the SVR from inception, initially with a discount until April 2008. We've looked closely at MAS5's SVR, the mortgage terms and conditions and the reasons MAS5 varied the SVR. Our conclusions about that led to the redress scheme MAS5 put in place and the compensation Ms F received in 2024.

MAS5 has sent us details of how it calculated compensation for Ms F. I find nothing to indicate that it has paid Ms F less than it should have done. Its calculation is based on what she would have paid if it hadn't increased its SVR in 2011 and 2012, because those rate increases were found to be outside what was permitted by the mortgage terms. It then worked out how much she had overpaid between 6 November 2017 (six years before it received our decision in November 2023) and 25 July 2019 (when Ms F repaid her mortgage in full), and added 8% annual simple interest to the resulting sum less 20% tax.

Given the time limits that apply to this complaint as I've set out above, I don't consider that it would be fair to require MAS5 to pay compensation for the full six years leading up to the redemption of Ms F's mortgage, from 2013 to 2019. Most of that period is time-barred so I have no power to make an award for it and, for the period I can consider, I'm satisfied that MAS5 has paid fair compensation."

I invited Ms F and MAS5 to let me have any further comments or evidence they wanted me to consider. MAS5 accepted my provisional decision and Ms F didn't reply.

I have issued a separate decision confirming that I can only consider the fairness of the interest MAS5 charged Ms F from 7 October 2018 onwards (but bearing in mind earlier rate variations as part of all the circumstances of the complaint). This decision is to set out my conclusions about that.

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.

Neither party has disagreed with what I said in my provisional decision or provided anything further they would like me to consider, so I see no reason to reach a different conclusion to the one I set out in my provisional decision. I find that MAS5 has paid fair compensation for the period I can consider, so I don't uphold Ms F's complaint.

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 Ms F to accept or reject my decision before 18 September 2025.

Janet Millington
Ombudsman