

The complaint

Mr O is complaining about the amount of interest he's been charged by Brent Shrine Credit Union Limited trading as My Community Bank (MCB).

What happened

In September 2022, Mr O took out a loan with MCB. He borrowed around £13,000, repayable over a five-year term.

In March 2025, Mr O asked MCB for an early settlement quote. And he paid the amount MCB told him. But he complained, saying he'd paid too much interest on the loan.

MCB replied to Mr O, saying they'd calculated the early settlement fee correctly and didn't owe him anything. So Mr O brought his complaint to our service, where one of our investigators looked into it.

Our investigator said she didn't think the complaint should be upheld – in her view, MCB hadn't done anything wrong. But Mr O didn't accept this. He asked for an ombudsman – and the complaint's come to me.

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.

Having done so, I'm not upholding Mr O's complaint for broadly the same reasons as our investigator. I appreciate this will be disappointing for Mr O but I'll explain more below.

Interest calculation

Mr O has complained that MCB have said the interest is calculated on an amortised basis. He said the total interest payable on the loan should be spread evenly across the term of the loan. Because he settled the loan after around half of the loan term, he thinks he should only have to pay around half of the total interest amount that was set out in the loan agreement.

However, interest is often calculated on loans in the same way. The customer pays interest on the amount they owe each month. The customer owes most at the start of a loan and it's not uncommon for interest to be a significant portion of a monthly repayment at that point. Towards the end of the term, the loan balance is much lower. And so the interest charge is much lower – the consumer owes less to the business. Because the repayment amount remains fixed, interest charges represent a much smaller proportion of the total payment.

Or, to explain it another way, interest is calculated at the contractual interest rate for each day of the loan, based on the loan balance at the time, and is added to the loan balance each month. This was explained in MCB's loan agreement, which says:

"Interest accrues daily at the Simple interest rate and is applied monthly to the balance of your loan account, as reduced by your scheduled repayments."

The interest rate applicable to Mr O's agreement with MCB was 15.01% per year. I've carried out a high-level review of his statement of account and the interest charged. And, having done so, I'm satisfied MCB applied interest appropriately to Mr O's loan in line with their agreement with Mr O.

When Mr O decided to settle the loan early, MCB were entitled to an administration fee. The agreement said they would charge "*the lower of:*

(a) 60 days' interest on the Early Repayment Amount and

(b) An amount which, when added to interest already paid on the loan, shall be equal to an interest rate of 3 per cent per month on the daily balance from the date that the loan was advanced until the Early Repayment Date."

MCB haven't provided any detail of how they calculated this administration fee. They've simply provided a split of the principal and interest included in the settlement quote. Having reviewed this, together with Mr O's statement of account, I'm satisfied MCB didn't charge Mr O more than they should have done.

Has MCB kept unearned interest?

In his response to our investigator's written view, Mr O said MCB had retained unearned interest of around £1,500. He calculated this by deducting the total interest he paid from the total interest figure set out in the loan agreement and says MCB should refund the excess to him. This argument is illogical – I can't say MCB should refund to Mr O something he hasn't paid in the first place.

I've seen no evidence, or argument, that Mr O made payments over and above the settlement quote. And I've seen no evidence that MCB continued to charge Mr O interest after he settled the loan. Any interest charged up until that point was earned by MCB under the terms of the agreement, as I've explained above. So, I'm not persuaded MCB retained interest they hadn't earned under the agreement.

What Mr O was told about the interest

Part of Mr O's complaint is about what he was told – he says he was told in 2023 that he'd get an interest rebate if he settled his loan early or made overpayments. MCB have provided notes of the contact they've had with Mr O. These are inconclusive about exactly what Mr O was told. Mr O didn't make any overpayments for over a year. So, it seems unlikely that he believed the overpayments would be particularly beneficial – I'd expect him to have started overpaying much earlier if that was the case.

However, even if Mr O was told that he'd get an interest rebate, that doesn't mean I should hold MCB to it. When a business gives a consumer incorrect information about a product, I have to consider what would have happened if the correct information had been provided instead. Mr O says he was told he'd get an interest rebate some months after he took out the loan. So his only options, if he'd been given the correct information, were to continue repaying in line with the original repayment schedule, or to make early repayments anyway.

I'm satisfied that Mr O would have continued to make early repayments. That's because it's clear he was aware in November 2024 that the interest wasn't being calculated in line with his expectations. But he carried on making additional repayments. And when he asked for an early settlement quote, this didn't match his expectations but he paid it anyway when he could instead have just reverted to paying the loan in line with original repayment schedule.

So, in summary, even if MCB did give Mr O inaccurate information about how the interest would be treated if he repaid the loan early, I can't say this negatively impacted Mr O. So I'm not upholding this aspect of his complaint.

My final decision

As I've explained above, I'm not upholding Mr O's complaint about Brent Shrine Credit Union Limited trading as My Community Bank.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 2 February 2026.

Clare King
Ombudsman