

complaint

Mr and Mrs M complain about a charge Yorkshire Building Society requires them to pay in order to redeem their mortgage.

background

Mr and Mrs M want to pay off their mortgage a couple of years early. Yorkshire Building Society sent them a mortgage redemption statement showing a £73.50 'Redemption Administration Fee' for doing this.

Mr and Mrs M complained that:

- although the charge had been shown on various statements, they didn't recall it being included in any Key Facts documentation they'd been given with their original loan or when they changed to a different mortgage product;
- it's unfair to impose a penalty for ending a contract early. By 'waiving' a fee for something which occurs normally, i.e. a loan ending on its due date, this implies that Yorkshire Building Society is imposing a penalty when this does not happen, i.e. for ending the loan early;
- the charge can only reflect the actual costs Yorkshire Building Society incurs, and Mr and Mrs M believe £73.50 to be far in excess of actual costs.

Yorkshire Building Society didn't uphold their complaint. It said:

- the charge was applied in line with the terms and conditions of Mr and Mrs M's mortgage, which were sent to them with their mortgage offer;
- the charge was made to cover Yorkshire Building Society's administration costs for redeeming the account. It said when it waived the charge this was done as a gesture of goodwill;
- it apologised if the letter it sent giving Mr and Mrs M an overall view of the work involved to give them an idea of costs hadn't been sufficient in their view. It attached some highlighted costs information.

Mr and Mrs M weren't happy with this response and asked this service to look into their complaint. Our adjudicator didn't recommend upholding the complaint. He felt that Yorkshire Building Society had provided a fair and reasonable response to the issues they'd raised.

Mr and Mrs M disagree, so the complaint has been referred to me.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. But, like the adjudicator, I'm not persuaded this is a complaint I can fairly and reasonably uphold. That's because I don't consider Yorkshire Building Society has done anything wrong – or that it's acted in a way that isn't fair and reasonable.

In coming to my decision I've taken into account that Mr and Mrs M say a redemption administration fee hadn't been brought to their attention when they took out the mortgage. And the tariff of charges Yorkshire Building Society produced doesn't list a redemption administration fee. Instead, it highlighted 'Deeds production fee' and 'Deeds sealing fee'. Added together these come to £73.50 - but don't resemble anything to do with a 'redemption administration fee'. And it isn't clear if these charges would've been applied at the end of the mortgage in addition to the normal legal charges which Mr and Mrs M say they know they'd have to pay.

This service offers an informal complaint handling service – it's an alternative way to settle disputes. We look at things differently to the way a court would. It isn't up to me to decide issues of legal liability (like whether the charge is a penalty that it'd be illegal to charge for ending a contract early). I've looked at all the circumstances and considered whether Yorkshire Building Society has acted fairly and reasonably overall towards Mr and Mrs M.

Based on the information I've seen, I can't fairly say that Yorkshire Building Society didn't provide all the information I'd have expected it to send Mr and Mrs M, when they took out their original borrowing (or when they later changed to a different mortgage product.) The terms and conditions of the mortgage they signed up to allow Yorkshire Building Society to charge fees. A £73.50 fee is in line with the Loans Administration Fee Tariff that applied when Mr and Mrs M took out their mortgage.

The fact that Yorkshire Building Society now refers to a 'Redemption Administration Fee' rather than calling it fees for 'Deeds production' and 'Deeds sealing' makes no difference to my view here. I think the important point is that Yorkshire Building Society is charging Mr and Mrs M the same amount it showed was chargeable for this sort of work when they first took out their mortgage.

I've thought carefully about the arguments Mr and Mrs M have put forward in support of their case that the redemption administration fee is an unfair penalty. And that if they end their mortgage early, they're being penalised, even though there are no early repayment charges payable on their mortgage deal. But I don't feel I can uphold their complaint on this point. I say this because Yorkshire Building Society will have to carry out work to close the mortgage and remove its legal interest in Mr and Mrs M's property. Most lenders charge for this work and I don't think the £73.50 charge for this is unreasonable.

So I can't in all fairness say that Yorkshire Building Society is acting wrongly, unfairly or unreasonably in requiring Mr and Mrs M to pay this charge if they want to pay off their mortgage early.

Mr and Mrs M are aware that Yorkshire Building Society generally chooses not to impose its fee when a mortgage is redeemed within the last six months of the mortgage term. So, they might want to hold off repayment a little while longer if they want to avoid paying the fee. I'd just remind them that Yorkshire Building Society is free to change its policy on this at any time – under the terms and conditions they've signed up to the fee could be charged up to the end of the term. (I have no control over lenders' policies – that's something the regulator oversees).

Looked at overall, I agree with our adjudicator that Yorkshire Building Society hasn't acted incorrectly and its response to Mr and Mrs M's complaint is fair and reasonable. I don't require it to take any further action in these circumstances.

my final decision

For these reasons, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs M to accept or reject my decision before 12 November 2015.

Susan Webb
ombudsman