

## **complaint**

Mr and Mrs D complain that The Co-operative Bank Plc didn't reduce the term of their mortgage when they made over-payments. And this forced them to re-mortgage with another lender. They want the Co-op to refund the early redemption charge (ERC) and to pay a contribution towards the arrangement fee for their new mortgage.

## **background**

Mr and Mrs D took out a repayment mortgage with the Co-op in 2011 over a 17 year term. This included a ten year fixed-rate period during which an ERC applied. Although it was a term of the mortgage that over-payments of up to 10% per year could be made without the ERC applying.

In 2014 Mr and Mrs D wanted to make a substantial over-payment which was still less than 10% of their previous end of year balance. The Co-op told Mr and Mrs D that it would recalculate their monthly payment. But Mr and Mrs D believed that the Co-op should reduce the term of their mortgage. They said that in the past when they'd over-paid it hadn't recalculated their mortgage. And that the mortgage contract wasn't clear. They complained that the Co-op was trying to introduce new conditions based on information it had since published on its website.

Mr and Mrs D felt that they couldn't trust the Co-op any more so they re-mortgaged with another lender. To do so they had to pay an ERC of 6% to the Co-op. And an arrangement fee to their new lender.

The Co-op rejected Mr and Mrs D's complaint. It said that it had made a mistake when it hadn't recalculated their account previously although Mr and Mrs D had potentially benefited from this error. It said the wording in the mortgage contract was clear. Over-payments didn't result in the length of the term being reduced. Mr and Mrs D would have to request any such change. And since the mortgage market review (MMR) in 2014 it would have to think about whether Mr and Mrs D could afford it.

An adjudicator rejected Mr and Mrs D's complaint. They don't accept this and they've asked an ombudsman to look into it.

## **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Mr and Mrs D have set out their complaint at some length. The Financial Ombudsman Service is an informal complaints resolution service. And I trust that Mr and Mrs D won't take it as a discourtesy that I have dealt with their submissions in the way that I have.

I'm afraid that I'm likely to disappoint Mr and Mrs D because I agree with the adjudicator. I don't think that the Co-op did anything wrong. Or that it should have to pay compensation to them.

I've looked carefully at the mortgage contract. And I think it's quite clear what's intended in the event that an over-payment is made. The monthly payment would be recalculated. But the length of the mortgage term would remain unchanged. And I'm not persuaded that any other wording in the contract contradicts this. I do accept that the wording on the website

defining over-payments is unhelpful. But that doesn't override the terms of the mortgage contract. And I note that the Co-op told Mr and Mrs D that reference on their website to over-payments of more than £499 didn't apply to their particular mortgage.

The Co-op has accepted that it made a mistake in how it dealt with Mr and Mrs D's earlier over-payments. But I don't think that entitled them to rely on that error when they made subsequent over-payments. The Co-op said that Mr and Mrs D would have to apply for any change to the length of their mortgage term. And it would have to consider their application in light of the MMR. But Mr and Mrs D didn't make that application. And instead they chose to re-mortgage elsewhere.

I think that was their choice to make. But I don't think that the Co-op forced them to do so. Or that it should have to refund the ERC to them or any other fees as a result.

### **my final decision**

Therefore, my final decision is that I don't uphold Mr and Mrs D's complaint against The Co-operative Bank Plc. And I don't think it should have to pay compensation to them. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs D to accept or reject my decision before 13 November 2015.

Alan Harris  
**ombudsman**