

complaint

This complaint is about a mortgage in the names of Mr C1 and Mr C2 taken out with Accord Mortgages Limited. Mr C1, who has dealt with the complaint throughout, says that Accord has overcharged interest on the mortgage account. Mr C1 wants the excess interest refunded and compensation of £200.

Mr C1 has also complained that Accord asked him to make his complaint in writing rather than over the telephone. Finally Mr C1 says the mortgage was mis-sold.

background

On 21 March 2017 Mr C1 and Mr C2 took out a mortgage with Accord, on the advice of a mortgage broker. The mortgage was on a fixed rate of 1.69% per annum until 28 February 2019, thereafter reverting to Accord's Standard Variable Rate. The amount advanced was £489,745.

The mortgage offer says:

"Interest will be charged on your loan daily. This means that we will calculate and charge you interest for each day on the balance shown on your account (including any other sums debited to your account) at the end of the day. The interest will then be added to your loan, on which you will pay interest the following day"

After the fixed rate expired, Mr V1 complained to Accord that it had miscalculated interest and that he had been overcharged 0.014% annual for the entire two-year period. Mr C1 calculated his losses at approximately £150 of excess interest. He said that the product was advertised and sold on the pretence of an interest rate of 1.69%, whilst through an opaque method of calculating and compounding interest, he had been charged an effective annual rate of 1.704%.

Accord didn't uphold the complaint, explaining that interest had been charged in accordance with the mortgage terms and conditions. Dissatisfied with Accord's response, Mr C1 brought his complaint to us.

An investigator looked at the complaint and asked Accord for more information about the interest rate calculations. After considering the information provided, the investigator didn't think the complaint should be upheld. He was satisfied there had been no miscalculation.

Mr C1 disagreed with the investigator's findings and asked for an ombudsman to review the complaint.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I will begin by explaining that the Financial Ombudsman Service does not audit mortgage accounts. Nor do we have any power to tell Accord how to apply interest to its accounts; it is the role of the Financial Conduct Authority to regulate mortgage lenders and to oversee its lending policies.

This means that in reaching my decision I have not carried out my own calculations; instead I have looked at everything Mr C1 and Accord have said, and looked at the calculations each have provided.

I've noted what Mr C1 has said. He thinks the way Accord has calculated interest is for simple, not compound interest. So, according to Mr C1, when Accord applies its methods of calculation to compound interest, this results in him being overcharged 0.014% annually.

Accord, on the other hand, has provided its own calculations in which it explains how interest is calculated and applied to the account. Accord also looked at Mr C1's calculations to see where the discrepancy was, as he had done with Accord's calculations.

Looking at everything both parties have said, and after reviewing the calculations, I'm satisfied that interest has not been miscalculated or misapplied to the mortgage account. I can see that Mr C1 has applied a flat daily interest amount of £22 from inception of the mortgage throughout the entire fixed rate period. I think this is incorrect.

The daily interest amount on 21 March 2017 (the date the mortgage began) was, in fact, £22.68. This is calculated as follows:

$$£489,745.00 \times 1.69\% \text{ divided by } 365 \text{ days} = £22.68.$$

As this is a repayment mortgage, it is subject to amortisation, so the amount of capital upon which interest is calculated is not fixed as suggested by Mr C1, but fluctuates as capital is repaid.

Given this, I'm satisfied that Accord's calculations are a more accurate reflection of how interest has been applied to the account than Mr C1's. It follows that I'm also satisfied that Mr C1 and Mr C2 have not been overcharged.

Mr C1 is unhappy that he was told to put his complaint in writing. He says that Accord wouldn't take his complaint over the telephone. He has complained about this to us. But complaint-handling isn't a regulated activity and so it's not covered under our rules. This means that I can't consider a complaint about the way in which Accord dealt with Mr C1's complaint.

Mr C1 also told the investigator that he thought the mortgage had been mis-sold. The investigator explained that the mortgage was sold through a broker, but that our database of businesses showed that the broker was not covered by the Financial Ombudsman Service. I must apologise to Mr C1, because it appears our database may need updating.

The website for the mortgage broker which sold this mortgage confirms it is regulated by the Financial Conduct Authority, and provides its registration number. The website also makes reference to the Financial Ombudsman Service. In the circumstances, I think the broker should be covered by our service.

I have requested our database to be updated but in the meantime, Mr C1 is free to complain direct to the broker if he thinks the mortgage was mis-sold. If he is dissatisfied with the broker's response, he can bring a complaint to us about this, should he wish to do so. There is a specific section on the broker's website headed 'Complaints' where Mr C1 can find all the information he needs to do this.

I appreciated this is not the outcome Mr C1 was hoping for, but after considering everything he and Accord have said, I'm satisfied the mortgage interest has not been miscalculated.

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 Mr C1 and Mr C2 to accept or reject my decision before 2 May 2020.

Jan O'Leary
ombudsman