



<b><u>Decision Ref:</u></b>	2022-0072
<b><u>Sector:</u></b>	Banking
<b><u>Product / Service:</u></b>	Repayment Mortgage
<b><u>Conduct(s) complained of:</u></b>	Errors in calculations Delayed or inadequate communication
<b><u>Outcome:</u></b>	Rejected

#### **LEGALLY BINDING DECISION OF THE FINANCIAL SERVICES AND PENSIONS OMBUDSMAN**

This complaint relates to the calculation of monthly repayments for the Complainants' mortgage loan with the Provider.

#### **The Complainants' Case**

The Complainants hold a joint mortgage account with the Provider. In or about **March 2020**, the Complainants agreed to a repayment arrangement for a two-year fixed interest rate, to commence on **1 April 2020**.

The first Complainant submits that his calculation of the proper repayment rate is as follows:

*"2.25%/12 = 0.001875 per letter dated 4 March [Provider] # of repayments 24 per letter dated 4<sup>th</sup> March [Provider] Capital Sum 51807.34 per letter dated 4<sup>th</sup> March [Provider] New renewal and repayments effective 1<sup>st</sup> April 2020 with a repayment of €2209.60 not €2229.19 as charged by [Provider] (this amount does not include excess of repayment I paid in April and May 2020 of €225)."*

The first Complainant states that there was an overpayment of €19.59 (nineteen Euro and fifty-nine Cent) made to his mortgage for the months of **April, May, and June 2020** as a result of the Provider's miscalculation.

He says that he made a formal complaint to the Provider on **27 March 2020** and at the time of making this complaint to this Office, he had not received a satisfactory explanation for the Provider's calculation.

The Complainants are seeking the mortgage account to be amended for **April to June 2020** to reflect the "*proper and accurate repayment as noted above*".

### **The Provider's Case**

The Provider submits that it provided detailed explanations to the Complainants as to how their mortgage repayment was calculated. This included a breakdown of the formula used and it presented the Complainants' exact figures in a working example.

Following a phone call with the first Complainant on **1 April 2020**, a task was raised internally to provide a breakdown of the calculation. The Provider contacted the first Complainant by telephone on **3 April 2020** when this breakdown was available, and requested that he email the Provider with security information, to allow the calculation breakdown to be sent by email.

The Provider states that the first Complainant emailed the Provider after normal working hours on Friday **3 April 2020**. The Provider responded to this email with security questions on Wednesday **8 April 2020**, and received a reply on the same day. The calculation breakdown was then furnished to the Complainants by encrypted email on Thursday **9 April 2020**. The Provider acknowledges that this response was just outside of its 48-hour turnaround target, and it noted that the majority of its team was working remotely at the time.

The Provider says that it later transpired that the Complainants could not access this email. It attempted to assist the first Complainant in doing so but, due to technical issues, it was not possible for him to access it.

In a letter to the Complainants of **30 April 2020**, the Provider referred to the Complainants' difficulty in accessing the information, and attached the email of **9 April 2020**.

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In its reply to the formal investigation of this Office, the Provider provided an explanation of the calculation:

*“Balance of the Mortgage excluding credit on the 1<sup>st</sup> of April 2020 **€52,266.81***

*Credit position on account                      €459.57 cr*

*Balance of Mortgage including credit on the 1<sup>st</sup> of April 2020 **€51, 807.34** (including credit on account of €459.47)*

*Repayment Charged to the Account on 1<sup>st</sup> April 2020 by [Provider] on balance of €52,266.81 (It should be noted that the customer had arranged an overpayment of an additional €225.00, therefore the Direct Debit total on 1<sup>st</sup> April was €2454.19)*

*€52,266.81 @ 2.25% over 24 months based on standard annuity calculator = **€2,229.19** (comprised of €98.00 interest and €2,131.19 capital) (Interest is calculated based on €52,266.81 x 2.25%/12)*

*Credit interest paid by [Provider] on the 1<sup>st</sup> April 2020 = €0.86 based on credit position of €459.57 (€459.47 x 2.25%/12 = €0.86)*

*Therefore, net interest charged on the 1<sup>st</sup> April 2020 = €98.00 less €0.86 = €97.14*

*The Complainant’s position is that the repayment amount on the 1<sup>st</sup> April 2020 should have been €2,209.60 which is based on the following calculation:*

*€51,807.34 @ 2.25% over 24 months which is **€2,209.60** (comprised of €97.14 interest and €2,112.46 capital) (Interest is calculated based on €51,807.34 x 2.25%/12)*

*As explained, the net interest charged by [Provider] was €97.14 on the 1<sup>st</sup> April 2020 which is €98.00 less €0.86. You should also note other than the €0.86 as quoted, the remaining difference between the total repayments as set out is comprised of capital which reduces the balance owing.*

*...[T]he difference between these two figures is €18.73, this sum has reduced the customer’s mortgage balance and is not a charge to the customer. As explained the difference in interest between the two balances has been paid to the customer in the form of credit interest.”*

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The Provider submits that it does not take the credit into account when calculating repayments, but it does allocate credit interest, which is paid at the rate of interest on the account. It states that the Complainants received credit interest for the credit on their account, and that *“the capital balance was adjusted with the additional capital collected”*.

The Provider says that a credit balance of €450 (four hundred and fifty Euro) arose on the Complainants’ account, following a payment on **28 May 2019**. This payment was below the threshold to be considered a ‘lump sum payment’, and it therefore went to credit on the Complainants’ account. The Provider submits that it is not uncommon for mortgage accounts to accumulate a build-up of credit, and this would not be discussed with the Complainants unless a specific query was made.

As result, the Complainants were not informed that there was a build-up of credit on their account. This credit figure was later applied against the Complainants’ capital balance, on **7 April 2020**, following a manual review of the Complainants’ complaint. This was communicated by letter dated **15 April 2020**, and a revised repayment figure of **€2,198.72** (two thousand, one hundred and ninety-eight Euro and seventy-two Cent) was provided to the Complainants.

In relation to Chapter 10 of the **Consumer Protection Code 2012** (CPC), the Provider submits that it is satisfied that no errors have arisen in relation to the administration of the Complainants’ loan during the relevant period. It states that there has been no error as to the calculation of the repayment amount.

Regarding the Complainants’ allegation that the Provider had not provided a satisfactory response to their complaint of **27 March 2020**, the Provider submits that the first Complainant’s email of **March 2020** was not a complaint. It did not express aggrievement or dissatisfaction, and was not logged as a complaint.

The Provider logged a complaint on behalf of the Complainant on **21 April 2020**, when the Complainant expressed dissatisfaction during a phone call. It has provided internal notes to evidence the complaint logged following this call. The Provider states that a response letter was issued on **30 April 2021** and, following further communication from the Complainants, it issued a final response letter on **8 June 2020**.

### **The Complaint for Adjudication**

The complaint is that the Provider wrongfully failed to furnish the Complainants with a satisfactory explanation as to how the repayments on their mortgage loan have been calculated, following the Complainants availing of the two-year fixed interest repayment arrangement, effective from **1 April 2020**.

The Complainants have also expressed concern about how the capital balance outstanding on their mortgage loan as at **31 March 2020**, has been calculated.

In that context, it is suggested that the Provider has failed in its obligation to the Complainants under the relevant provisions of the **Consumer Protection Code 2012** as amended, and failed to provide them with an appropriate and acceptable level of customer service.

### **Decision**

During the investigation of this complaint by this Office, the Provider was requested to supply its written response to the complaint and to supply all relevant documents and information. The Provider responded in writing to the complaint and supplied a number of items in evidence. The Complainants were given the opportunity to see the Provider's response and the evidence supplied by the Provider. A full exchange of documentation and evidence took place between the parties.

In arriving at my Legally Binding Decision I have carefully considered the evidence and submissions put forward by the parties to the complaint. Having reviewed and considered the submissions made by the parties to this complaint, I am satisfied that the submissions and evidence furnished did not disclose a conflict of fact such as would require the holding of an Oral Hearing to resolve any such conflict. I am also satisfied that the submissions and evidence furnished were sufficient to enable a Legally Binding Decision to be made in this complaint without the necessity for holding an Oral Hearing.

A Preliminary Decision was issued to the parties on **7 February 2022**, outlining the preliminary determination of this office in relation to the complaint. The parties were advised on that date, that certain limited submissions could then be made within a period of 15 working days, and in the absence of such submissions from either or both of the parties, within that period, a Legally Binding Decision would be issued to the parties, on the same terms as the Preliminary Decision, in order to conclude the matter. In the absence of additional submissions from the parties, within the period permitted, the final determination of this office is set out below.

**Evidence**

The Provider's encrypted email to the first Complainant of **9 April 2020** enclosed the following screenshot:

**Formula:**

$$P = \frac{r(PV)}{1 - (1 + r)^{-n}}$$

*P = Payment*  
*PV = Present Value*  
*r = rate per period*  
*n = number of periods*

**Values:**

Present Value	€ 49,910.62	
Annual Interest Rate	2.25%	
Rate per period:	0.188%	i.e. 2.25% / 12 periods in a year.
Number of periods:	23	

**Calculation:**

=	$\frac{0.188\% \cdot €49,910.62}{1 - (1 + 0.188\%)^{-23}}$
=	$\frac{93.58}{1 - (1 + 0.188\%)^{-23}}$
=	$\frac{93.58}{1 - 0.95783}$
=	$\frac{93.58}{0.042169666}$
=	€ 2,219.19

The above communication occurred after the first Complainant's email to the Provider, dated **27 March 2020**, which stated as follows:

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*"Hi [redacted]*

*My Mortgage a/c is ...*

*I dealt with you in the past.*

*I have since renewed this month for the balance on my a/c over 2 years at fixed rate 2.25%.*

*Capital sum remaining 51807.34*

*I have done the calculations here at work and I am getting a difference of €20 - €2209.60 – my renewal letter stipulates €2229.19*

*Can you pls get someone to review and confirm the numbers are correct – as I do not see why I am showing a gap of €20 in my favour*

*I await your reply and reasoning."*

### **Analysis**

I note that the difference between the Provider's calculation and the first Complainant's calculation is due to the credit of €459.57 (four hundred and fifty-nine Euro and fifty-seven Cent) on the Complainants' account. I note that this credit was not reflected in the Provider's calculation of the repayment amount. It appears that the Complainants did not realise that this sum stood as a credit on their account, and included it in their repayment calculation. Consequently, the first Complainant's repayment calculation was made on the net sum of the mortgage, which included the credit amount, rather than on the gross sum, which did not.

The Provider has explained that consumers would not normally be informed when credit of that level, accumulates on their account, and I note that the Complainants have not specifically complained that their **May 2019** payment went into credit.

I am satisfied that the Provider's calculation of the repayment amount from **1 April 2020**, based on the gross figure of €52,266.81 (fifty-two thousand, two hundred and sixty-six Euro and eighty-one Cent) was correct, and I accept that this was balanced by the application of credit interest. In relation to the Provider's communication of the breakdown of the figure to the Complainants, I note that the Provider sent an email with an explanation on **9 April 2020**. Unfortunately, it was not clear from this email that there was a credit figure on the Complainants' account that was not included in the repayment calculation. The Provider however applied the credit figure to the Complainants' capital balance, and informed the Complainants of this on **15 April 2020** and I note that this arose from a manual review of the account, which resulted in the reduction of the monthly repayment to **€2,198.72**, less than the Complainants' own calculation indicated, once that credit was applied to the balance.

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The existence of the credit balance was noted in the Provider's letter of **30 April 2020**, and during a phone call with the Provider's Agent of **15 May 2020**. The fact that the credit balance was not included in the repayment calculation was also explained in detail in the Provider's Final Response Letter of **8 June 2020**.

In relation to the Provider's obligations under Chapter 10 CPC, I am satisfied that there was no error in the calculation or administration of the account. Regarding the treatment of the Complainants' complaint, I am satisfied that the Provider complied with Provision 10.9(d), insofar as it provided a Final Response Letter to the Complainants within 35 business days of registering the complaint on **21 April 2020**. I have had regard to the Provider's submission that the complaint was made in **April 2020**, and I accept that it was appropriate to treat the first Complainant's email of **March 2020** as an enquiry, rather than as a complaint.


The Complainants are to be admired for their attention to the manner in which their mortgage payments are calculated and indeed, the query they raised was an understandable one, bearing in mind that their calculations did not equate to those of the Provider. I am satisfied however, that as soon as the Complainants indicated their dissatisfaction, the Provider responded in a timely manner and furnished a detailed explanation, in addition to also manually reviewing the account resulting in the application of the credit against the balance, with the consequential reduction in the monthly repayment, as outlined above.

Accordingly, in the absence of any evidence before me of wrongdoing by the Provider, I do not consider it appropriate to uphold this complaint.

### **Conclusion**

My Decision, pursuant to **Section 60(1)** of the ***Financial Services and Pensions Ombudsman Act 2017***, is that this complaint is rejected.

**The above Decision is legally binding on the parties, subject only to an appeal to the High Court not later than 35 days after the date of notification of this Decision.**



**MARYROSE MCGOVERN**  
**Financial Services and Pensions Ombudsman (Acting)**

1 March 2022

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Pursuant to *Section 62 of the Financial Services and Pensions Ombudsman Act 2017*, the Financial Services and Pensions Ombudsman will publish legally binding decisions in relation to complaints concerning financial service providers in such a manner that—

(a) ensures that—

- (i) a complainant shall not be identified by name, address or otherwise,
  - (ii) a provider shall not be identified by name or address,
- and

(b) ensures compliance with the Data Protection Regulation and the Data Protection Act 2018.

