

The complaint

Mr M brings this complaint on behalf of his limited company, I. He complains that Yorkshire Building Society (YBS) made mistakes with the interest and monthly payments on the company's commercial mortgage, and that it failed to respond promptly to this complaint.

What happened

The company took out a commercial buy-to-let mortgage with YBS in 2022. It borrowed £585,000 plus an arrangement fee of £7,312 at a fixed annual interest rate of 3.05% until August 2027, payable monthly on an interest-only basis.

The mortgage funds were initially drawn down on 25 August 2022, but the mortgage couldn't complete on that date. They were subsequently re-drawn and the mortgage completed on 8 September 2022.

Mr M says YBS has overcharged interest on the mortgage, because it took a payment of interest to cover the whole of September 2022 instead of just the period for which the loan was outstanding: 8-30 September 2022. It then increased the monthly mortgage interest payments slightly in 2023 despite the mortgage being subject to a fixed interest rate. Mr M also says YBS failed to get back to him promptly or to properly explain what had happened.

YBS accepted that it hadn't responded to Mr M's concerns as quickly as it should have, and it sent Mr M a cheque for £90 by way of apology. But it said it had made appropriate adjustments to the mortgage and it had charged the right amount of interest to reflect the time the mortgage had been outstanding, from 8 September and not 25 August 2022.

Mr M asked the Financial Ombudsman Service to look into the matter. Our Investigator didn't recommend that the complaint should be upheld. He concluded that YBS had given a reasonable explanation for what had happened and he wasn't persuaded that it had overcharged the company.

Mr M didn't accept that conclusion and asked for it to be reviewed.

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.

I can understand why Mr M was concerned about the interest YBS applied to the company's mortgage. First of all it began charging interest from 25 August, when the funds were originally released, and then it changed the monthly payment amounts slightly. The mortgage has been on a fixed interest rate from inception and hasn't been in arrears, so Mr M might reasonably have expected the monthly payments to stay the same. I've carefully considered all the points Mr M has made.

However, I think YBS has provided a satisfactory explanation for what has happened, and the mortgage transaction history it has provided reflects that explanation. The transaction

history shows that a credit adjustment of £693.34 – representing 14 days' worth of interest for 25 August to 7 September 2022 – was made on 22 September 2022. YBS also refunded the payment which the company had made of £346.57 for the final seven days in August and which it should not have been charged, because completion didn't take place until September.

YBS didn't adjust the company's monthly mortgage payments until later, at the end of the calendar year. When it issued the annual statement for 2022, it said the monthly payments would increase by just over £2 a month from March 2023. I think that it has explained why this happened, and that the slight changes it made to the company's payments arose as a result of the change in completion date. It said that the monthly payments were based on the amount of interest due between the completion date and the end of the calendar year, and therefore, in 2022, took account of the mortgage starting part-way through a month. Payments for a whole year when the mortgage is in force for the full year, on the other hand, resulted in slightly higher monthly payments when split equally across the year. YBS has also confirmed to Mr M that the mortgage wasn't in arrears because it had been collecting the lower payment.

As our Investigator explained, the Financial Ombudsman Service isn't an auditing service. Based on the information available about how the mortgage has operated and both parties' comments, however, I don't find that YBS has charged the company more interest than it was contractually entitled to charge, or that I can fairly require it to take any corrective action.

YBS has paid £90 for its slow response to Mr M's correspondence across complaints he has made on behalf of three of his companies, and I think that was fair in recognition of any inconvenience caused.

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 I to accept or reject my decision before 24 April 2024.

Janet Millington
Ombudsman