

The complaint

Mr B complains that his contractual monthly payment ("CMP") on his mortgage with Accord Mortgages Limited has increased although he's on a fixed rate mortgage product.

What happened

Mr B has a mortgage with Accord and a fixed rate mortgage product at an interest rate of 3.36% following a mortgage offer dated 14 April 2022. The interest rate was fixed until 31 August 2024 and the CMP was initially £351.34. The mortgage was subject to annual review. Submitted with the application was a form dated 8 April 2022 requesting that the preferred date for payment to be the first of each month. On 9 May 2022, Mr B asked Accord to amend the mortgage date from the first to the end of the month. Then at the annual mortgage review at the end of 2022, the CMP was increased to £353.73.

Our investigator didn't recommend that this complaint should be upheld as the reason for the increase was the change in the payment date which was instigated by Mr B. So, in his view Accord had done nothing wrong. Mr B disagreed and asked for a review.

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.

Mr B says that as he has a fixed rate mortgage, his payments should stay the same and is disappointed that they have increased at a time when he is facing financial pressure. A fixed rate mortgage does what it says. The interest rate is fixed for the length of the term. Normally this will mean that the CMP remains the same but not always. In this case it increased. Why did it increase?

I have access to Accord's notes, and these record a call with Mr B in May 2022 when he asked to change the payment date to the end of the month. I also note that the adviser appears to have warned Mr B that this would lead to an increase in the CMP at the annual review. After the annual review, the CMP did go up by £2.39 and Mr B rang up to object. I suspect that because the payments are only changed annually on this account that Mr B may well have forgotten in March 2023 what he was told in May 2022 whereas if the CMP had changed immediately in May/June 2022 he would more readily have connected the reason why his CMP was increasing. It seems to me that if the CMP is collected at the end of the month rather than the first of the month, there would be extra interest due as the payment is made 30 days later than it was expected to be made and on which Accord's calculations were based. Mr B changed his payment date beginning in June 2022 from the 1 June to 30 June, and as Mr B didn't make his payment at the beginning of the month the mortgage balance would have been higher at the end of the month than it otherwise would have been. So, extra interest would be due although the interest rate stays the same.

Accord is entitled to collect the interest for that period and factor it in at annual review which it did. So, I'm satisfied that Accord's estimates were based on Mr B's request through his broker, that Mr B asked for the change in payment date and was advised that this would

increase the CMP at annual review, that the increase was fairly charged, and that Accord could change the CMP to a fixed rate mortgage as long as the interest rate remained fixed which it did. I've read the file carefully and I can see that any small increase would have an impact on Mr B who has been attempting to manage on a tight budget. But, sympathetic as I am to Mr B, my role is to decide if Accord has done anything wrong and it simply hasn't. So, I can't fairly uphold this complaint.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 17 November 2023.

Gerard McManus

Ombudsman