

The complaint

Mrs D complains that she has overpaid on her mortgage with Skipton Building Society and is due a refund.

What happened

Mrs D took out a mortgage jointly with her now ex-husband, Mr D, in 2000. It was repaid in 2005, when Mr and Mrs D re-mortgaged to another lender.

In 2022, Mrs D complained to Skipton. She said Skipton had charged too much interest, and she and Mr D had paid too much. She wanted a refund.

Skipton said it was confident it hadn't overcharged Mr and Mrs D. It also said the mortgage had been arranged by an independent broker, so Mrs D should contact the broker if she felt she'd been misled.

Mrs D referred her complaint to the Financial Ombudsman Service. Skipton consented to us looking into the complaint, even though the mortgage had been taken out and repaid a long time ago.

Our Investigator didn't think Skipton had done anything wrong, so she didn't recommend that it pay Mrs D anything.

Mrs D didn't accept that. She still thought she had been overcharged and is due a refund. The complaint was therefore passed to me to make a final decision.

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.

Mrs D has explained her severe financial difficulties, and I was sorry to read that she's in such a difficult situation.

I've looked carefully at the mortgage offer Skipton issued to Mr and Mrs D in 2000, at the interest it charged, and at what Mrs D thinks has gone wrong. Having done so, I'm not going to require Skipton to pay her any compensation or a refund.

The mortgage offer says that the interest rate was variable, not fixed. It also says the variable rate would follow Bank of England base rate, plus 0.75%. That is also set out in the 2005 redemption statement.

Mrs D says that, if the interest rate had been 6%, for example, 6% of the amount she and Mr D borrowed (which was £81,700) is £4,902. She says they should therefore have paid Skipton a total of £81,700 + £4,902 = £86,602 over the 25-year term of the mortgage. She says the monthly mortgage payments should therefore have been a lot lower than they were, and she should get a refund of the overpayments.

However, this isn't how mortgage interest works. The percentage interest quoted is the interest charged per year, not the total interest over the whole mortgage term. Interest is calculated daily and added to the mortgage monthly. I find nothing to indicate that Skipton agreed to operate the mortgage in any other way.

My conclusion is that Skipton hasn't overcharged Mrs D, so I don't require it to pay her anything.

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 Mrs D to accept or reject my decision before 5 October 2023.

Janet Millington
Ombudsman