

The evidence shows that in **March 2018**, the Provider initially offered redress of €1,615.00 (€1,000.00 compensation and a €615.00 professional advice payment) to the Complainant for its failure on the Complainant's mortgage loan account.

This Office issued a legally binding decision in **March 2020** in respect of another complaint against the Provider which dealt with similar issues to those arising in relation to this complaint.

The Provider wrote to the Complainant on **21 August 2020** detailing as follows:

" ...

We wrote to you on 10 July 2020 regarding your mortgage account [ending 7263]. In that letter we advised that the Financial Services & Pensions Ombudsman (FSPO) recently upheld an individual FSPO complaint on an account on the same terms and conditions and circumstances as yours. He awarded what he deemed to be a fair and proportionate remedy for the wrong that he considered had been suffered by that customer.

We have decided to apply the award in this FSPO decision to your account and to other accounts having the same terms and conditions and circumstances. This will provide a fair and proportionate remedy in your circumstances.

" ..."

The Provider submits that in relation to the Complainant's mortgage loan account it:

- "a) applied a once off reduction (write down) of 12% off the capital balance on the mortgage loan account as it stood at the end of the fixed interest rate period which expired on 1 October 2010; and*
- b) repaid the Complainant, to an account of his choosing, the difference between (1) the amount of interest he actually paid from 1 October 2010 (Date of Expiry of Fixed Interest rate period) to the end of July 2020, and (2) the amount of interest that he would have paid on the reduced (written down) capital balance from 1 October 2010 (Date of Expiry of Fixed Interest rate period) to the end of July 2020."*

The Provider calculated a 12% reduction of €22,285.30 on the Complainant's mortgage loan account balance from the end of the initial fixed interest rate period on **01 October 2010**. The Provider also calculated an interest refund of €7,871.12 based on the interest charged on the 12% reduction to the capital balance. The Complainant appears to be of the view that Provider incorrectly calculated the interest refund on a simple interest basis instead of a compound interest basis.

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For the purposes of clarity, simple interest is the interest based on the initial principal amount of the loan whereas compound interest is interest earned on the initial principal amount and on accumulated interest from previous periods.

I will now consider whether the redress provided to the Complainant in the form of the interest refund of €7,871.12 is adequate by consequence of the Provider's failure in relation to his mortgage loan account.

From a review of the **mortgage loan account statements**, I note that the capital balance on the mortgage loan account as of **01 October 2010** which marked the end of the initial fixed interest period, and the beginning of the impacted period was €186,544.20. This is the same capital balance identified in the summary figures used to calculate the redress given to the Complainant. The 12% reduction amounted to €22,385.30 (12% of €186,544.20) and this was applied to the Complainant's mortgage loan account on **07 July 2020**, which left a capital balance of €102,913.25 on the mortgage loan account.

In addition to applying the 12% reduction to the capital balance, the Provider made an interest refund payment of €7,817.12 directly to the Complainant. In terms of the interest refund payment which is the subject of this complaint, by way of letter to the Provider dated **22 September 2021**, this Office requested the Provider to set out (A) the interest actually charged and paid on mortgage loan account ending **7263** from **01 October 2010** (the date the fixed interest rate period ended) to **July 2020** (when the 12% mortgage balance reduction was applied to the Complainant's mortgage loan account) and (B) the interest that would have been charged on mortgage loan account ending **7263** from **01 October 2010** (the date the fixed interest rate period ended) to **July 2020**, if the capital balance of the mortgage loan was 12% less on **01 October 2010**. The first column of the table below details the total amount of interest charged by the Provider and paid by the Complainant between **01 October 2010** and **07 July 2020** (the date on which the 12% mortgage balance reduction was applied to the Complainant's mortgage loan account). The second column shows the interest amount that the Complainant would have been charged on the reduced capital balance in the same period. The third column shows the difference between both amounts.

Total interest charged and paid between 01 October 2010 and July 2020 (A)	Interest that would have been charged between 1 October 2010 and July 2020 if the capital balance was 12% less on 01 October 2010 (B)	The difference between (A) and (B)
€55,372.70	€47,501.58	€7,871.12

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The Complainant views the 12% write down amount of €22,385.30 as a “*quasi-loan*” to the Provider as it was an “*over charge*” to his account and therefore it should be paid back with compound interest. I do not agree with the Complainant in this respect. There was no “*quasi-loan*” given to the Provider by the Complainant.

The 12% write down in fact represents a once off reduction (write down) off the capital balance of the Complainant’s mortgage loan from the date that a breach of contract occurred in **October 2010**. The write down of the capital balance by the Provider at this level has the effect of reducing the capital sum owed by the Complainant, thereby reducing the interest he will pay on the remaining 22 years of that mortgage from **October 2010**.

The interest amount of €55,372.70 has been calculated based on the total amount of interest actually charged and paid between **01 October 2010** and **07 July 2020**. The interest amount of €47,501.58 represents the amount of interest that the Complainant would have paid between **01 October 2010** and **07 July 2020**, had the capital balance stood at €102,913.25 at the end of the fixed interest rate period on **01 October 2010**. I have considered the interest amount charged by the Provider between **01 October 2010** and **July 2020** and the interest amount that would have been charged over the course of the same period if the capital balance was 12% less on **01 October 2010**. I am satisfied that the interest refund amount of €7,871.12 correctly represents the difference between these two amounts and that the method used by Provider in calculating the interest refund amount is fair and appropriate in the circumstances of this particular matter. Therefore, I accept that by having made a payment of €7,871.12 directly to the Complainant in **August 2020**, the Provider has correctly repaid the Complainant the difference between (1) the amount of interest actually paid by the Complainant from the end of the 2-year fixed interest rate period on **01 October 2010** to the date the 12% mortgage balance reduction was applied to the Complainant’s mortgage loan account in **July 2020** , and (2) the amount of interest that the Complainant would have paid on the reduced (written down) capital balance from **01 October 2010** to **July 2020**. I do not agree that any additional interest refund payment is required to be made by the Provider to the Complainant.

In light of the foregoing, I accept that the amount of redress paid by the Provider in the form of the interest refund amount of €7,871.12 is reasonable in the circumstances of this particular matter.

For the reasons set out in this Decision, I do not uphold the complaint.

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