

The complaint

Ms P complains Bank of Ireland (UK) Plc (BOI) haven't been able to provide clear calculations relating to an interest rebate when asking for a settlement figure for her personal loan.

What happened

I issued a provisional decision setting out what'd happened, and what I thought about that. I've copied the relevant elements of this below, and they form part of this final decision.

In June 2018 Ms P took out a loan for £25,000. The amount of interest to be charged was £9,297.20, and the loan was due to be repaid over 84 months with a monthly payment of £408.30.

In June 2023 Ms P asked to settle her loan – and was told there was no interest rebate due. Ms P wasn't happy with this, so she complained.

BOI said when calculating interest rebates they use a formula set out in the Consumer Credit (Early Settlement) Regulations 2004 – and in summary they said they'd done this correctly. So, didn't uphold her complaint.

Unhappy with this, Ms P asked us to look into things. As part of our standard approach, we asked BOI for their file. They replied with an offer – saying they'd made a mistake suggesting no rebate was due. Ms P took a payment holiday during the Pandemic, which altered the calculations incorrectly. Actually, the rebate due was £682.15 and they wanted to offer £250 compensation for this error.

Ms P didn't accept this, so asked us to look into things fully – she felt the amount being rebated was too low given there was only two years left to go on her loan. She said the rebate figure should be £1,043.43 – and said she'd calculated this to be the total interest she'd paid up to end of May and subtracting this from the overall interest charged. And, when seeing BOI's calculations, saw it was up to September 2023, rather than June 2023 as she said it should be.

Our Investigator considered things and tried their best to get a clear explanation from BOI about how they'd reached their rebate calculations – but weren't able to do so. In lieu of this, he issued an outcome saying BOI needed to write to Ms P with an explanation of how they calculated the rebate and pay her a further £400 compensation – bringing the total compensation to £650.

Ms P said this was a fair outcome, and BOI said they'd provided the best calculations they could but were otherwise prepared to accept the outcome. Our Investigator challenged this, and ultimately BOI said they'd provided all they could.

Ms P wasn't happy with this and felt BOI should be able to provide these calculations. In the circumstances she felt her loan should be written off. With no resolution, the complaint was passed to me to decide.

What I've provisionally 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.

It's not for this service to carry out a forensic examination of the calculations for an interest rebate – it's for BOI to provide correct calculations and / or Ms P to provide her own calculations explaining why she thinks BOI may have got it wrong. Generally, we'd look at the terms and conditions, and rely on the calculations provided by a business like BOI, unless a consumer like Ms P can point out where they've gone wrong.

Before considering that though, I'd need to be satisfied Ms P has actually suffered a loss.

As I understand it, at this point in time Ms P hasn't paid off the loan. I can't know with any degree of certainty whether she was going to pay off the loan at the time of asking for a settlement figure or not. At times, people do get settlement figures to see what the situation is – but then don't pay it off. That's because they can't afford to do so, decided to do something else with the funds they'd put in place to clear the debt, or they couldn't obtain the credit to move the balance to a different lender.

Ms P had the option, when the settlement figure was given to her, of paying it off and continuing to dispute the outstanding balance / rebate. At this point, her complaint was already with our service.

The settlement figure she was given at the time wasn't obviously wrong. I realise Ms P thinks it was, and her calculations would suggest it was. But, the way these things work is more complicated than Ms P's calculations – as penalty interest is applied and there can be a delay in processing any settlements – which impact the interest rebate figure.

I understand she thinks the figures are now wrong – but BOI suggest they're right (albeit they can't provide sufficient evidence to explain it). I get that this doesn't help matters.

But, I need to come back to Ms P choosing not to pay off the loan at the time – meaning she's not suffered a financial loss. Had she paid off the loan at the time, then it'd be clear she was always going to – and if she'd paid too much interest this would be something I could determine. But by not paying off the loan, and not knowing if she definitely was going to, then I can't know that the interest Ms P has incurred since then would have been interest she was always going to pay.

That means I'm not going to consider anything to do with what amount is the 'correct' amount for an interest rebate – as I won't be awarding anything for what Ms P may claim as interest costs.

Instead, I'll consider the impact of BOI's errors.

The error initially was disappointing, and BOI awarded £250 compensation for this which they communicated through our service.

At this point, it's then for Ms P to decide what next steps she wants to take. BOI have accepted they made an error initially with the settlement figure showing an interest rebate of £0 – but this was fixed when contacting us, along with an apology and compensation.

In the circumstances, it's hard for me to suggest BOI should be awarding more than this. I'm aware our Investigator felt a further £400 should be paid – but this was due to BOI not being able to prove to Ms P their calculations are correct over an extended period of time. Again though, I come back to this being a loss Ms P hasn't actually incurred – because she never chose to pay off the loan at the time and I can't know that she would have done.

I'm left with one letter which had the incorrect information, and then after complaining to our service the correct information was provided. Putting things in those terms means I think BOI's offer of £250 is fair to resolve this complaint.

Responses to my provisional decision

Ms P didn't agree with the outcome I reached, and said:

- She's provided a screenshot of her bank account to prove she had the funds to do so
- When she was told it was £0, she thought it was due to the Pandemic payment break she'd taken – and paid that off straight away – asking for another amount
- She then asked for further recalculated amounts – which were wrong
- She said she wasn't going to repay something that was wrong as that was absurd
- The calculations from BOI show the settlement was calculated as September 2023 not June 2023.
- She also asked why do I think any compensation is due if she was never going to pay.

BOI replied and said they had nothing to add.

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 thank Ms P for the responses she's provided, and I do understand why from her perspective my outcome must feel very frustrating.

I accept the bank statement she's provided shows she had the funds to pay off the loan at this point – but that doesn't mean she definitely was going to. I take her point she paid off some of the funds from the Pandemic.

As I've said above, at the time of the interest rebate figure being given it wasn't obviously wrong. At most, it may be wrong by three months – but Ms P hasn't suffered that financial loss because she's never paid off the loan. And by not paying off the loan, I still can't know for certain she definitely was going to – partly because she didn't pay it off when given a rebate figure that, at the time, seemed broadly accurate.

Ms P talks about those figures being wrong – but even relying on her calculations it wouldn't be correct – because the way settlement figures are calculated is extremely complex. The official way of completing these calculations allows for penalty interest to be applied plus other deductions. So, Ms P's own calculations weren't accurate either.

So, while I understand Ms P will be disappointed, I won't be awarding her any costs for issues regarding the interest rebate. But, with BOI offering £250 compensation for the initial problems with telling Ms P it was a £0 figure, I'm happy the £250 is fair to reflect these errors.

My final decision

I partially uphold this complaint and require Bank of Ireland (UK) Plc to pay Ms P £250 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms P to accept or reject my decision before 13 January 2025.

Jon Pearce
Ombudsman