

# Would your bank return \$81,000 of overcharged interest to you?

It is not uncommon in the world of finance to find out many years later that the home loan that was set up for you wasn't actually followed through as intended with the lending institution.

We have all heard of lenders over charging interest every now and then, some accumulating to a few thousand dollars. But how could a lender overcharge \$81,000 without your even noticing it?

**When was the last time you checked that your offset account has been set up and calculated correctly?**

**Here's a story from one of our industry colleagues helping one of their clients retrieve \$81,000 of overcharged interest...**

A client took out a mortgage in 2007 with a lender (not to be named).

The original loan was split into a large component of fixed and a small variable portion where an offset account was linked. The reason for the smaller variable loan was that the client wished to pay down the variable portion prior to the expiry of the fixed portion and then have the offset account against the larger portion once that fixed period had expired. This is a common finance structure for people refinancing other debt outside their home loan and wishing to pay down this debt prior to the home loan.

Just for security and peace of mind, the client attended her local branch. She enquired if her loan(s) were set up this way, that it would not affect her offset account and that the money held there would indeed be considered against the mortgage(s). She was informed that it would not be affected.

When the client met with her broker last month to explore the opportunity of a better interest rate, the broker noticed that the interest being charged against her mortgage appeared to be excessive based on what was stated as 'sitting in the offset account'.

Our colleague then challenged the bank and was informed that the account she thought was an offset account was not linked to the loan and had not been offsetting the interest at all throughout the entirety of the loan.

After many emails, calls and evidence of the request for the offset account, they finally reached an outcome with the bank that resulted in the client being refunded an amount of over \$81,000 (overcharged interest during the period of the loan).

If it wasn't for the eagle eyed broker she would not have been any the wiser.

*So if you have an offset account (or you think you had one set up at the time of your loan), we encourage you to do a double check on your statement that the interest being charged on your mortgage is on the balance of the loan minus the amount of money sitting in your offset account each month. A 10 minute exercise could find you thousands of dollars as it did for this client!*

***If you're not sure how to do this then please contact the office, or send your statements through to us so we can double check this for you.***

***At the same time, we will take the opportunity to ensure your interest rate is still competitive.***



**If you would like to know more about how offset accounts (should) work to your advantage, please call us for our fact sheet 'Utilising your offset account'.**