

The complaint

Mr and Mrs M complain that UK Moneyman Limited (UML) advised them to make mortgage applications to lenders in error. The applications were declined because Mr and Mrs M did not fit the lenders' criteria and this led to them losing money and the house they wanted to purchase.

What happened

In 2019 UML helped Mr and Mrs M apply for a mortgage which progressed to 'offer' stage. However, the purchase didn't proceed to exchange due to the vendor.

In July 2020, Mr and Mrs M asked UML to source another mortgage – for a greater amount than the last – as they'd reserved a new build property. At UML's request, they sent up-to-date copies of their credit file reports and they confirmed they'd asked for one entry on Mr M's credit file to be corrected.

UML received a decision in principle from the first lender it tried on 30 July 2020. It updated its fact find before Mr and Mrs M made a full application on 11 August 2020. But on 14 September 2020 the application was declined by that lender.

On 15 September 2020, Mrs M emailed UML asking it to suggest alternative lenders. UML sent a mortgage illustration from a second lender to Mrs M on 16 September 2020. UML received a decision in principle from the second lender on 16 September 2020. Mr and Mrs M made a full application to the second lender on 17 September 2020 and it was declined by the lender on the same day.

Mr and Mrs M say UML initially made an error calculating the amount they could borrow. It then chose a lender whose criteria they didn't fit. They say UML failed to identify a notice of correction on their credit file. Mr and Mrs M say they also didn't fit the criteria of the second lender UML chose. They say the second lender has told them UML made numerous errors submitting the application resulting in three hard and two soft credit searches on the same day. And UML's errors caused them to lose the house they reserved, solicitors' fees and the time they spent obtaining a help to buy loan offer.

In its final response letter of 20 October 2020, UML said it was aware of past adverse credit history and the notice of correction, but Mr and Mrs M advised them the adverse credit history had been removed. It said the first lender explained the notice of correction didn't result in the application failing the decision in principle stage, but it needed to be assessed by an underwriter. It decided at underwriting stage that application did not meet its criteria and Mr and Mrs M's credit score was low.

UML's final response letter explained that the second application was initially declined and then a technical error message had to be resolved which triggered another credit search. UML made a further application to the second lender – reversing the applicants as the lender had told them that can sometimes result in success. That also triggered a credit search but resulted in another declined application.

It reminded Mr and Mrs M that it had previously obtained a mortgage offer and, despite the vendor withdrawing from the sale after the mortgage offer, UML allowed Mr and Mrs M to carry their broker fee forward. Usually the broker fee is non-refundable after a mortgage offer is obtained. It offered to refund the broker fee and had arranged for the first lender's application fee to be refunded as well as requesting that the second lender remove the credit searches from Mr and Mrs M's credit file.

Our investigator didn't think UML needed to take any further action to resolve Mr and Mrs M's complaint. He found that, on 30 July 2020, Mr and Mrs M confirmed to UML that their credit files were now reflecting correctly – UML having previously identified some adverse data. He quoted the following from the first lender regarding its criteria around adverse credit history:

“One missed mortgage payment or two unsecured payments in the last 12 months can be considered provided the application still passes credit score and a satisfactory explanation is received by the underwriter. Any payment less than the contractual monthly amount will be classed as a missed payment. Mortgage payments made by housing benefits are not acceptable.”

And the only adverse credit he identified from Mr and Mrs M's credit file was one missed payment in December 2019 and one in January 2020 – which they'd told UML was incorrect and had been corrected. So, he said he hadn't seen anything indicating that the first lender was unsuitable.

Our investigator reviewed the second lender's criteria and found nothing to suggest to UML that there was a specific level of missed or late payments it wouldn't accept. So, it wasn't unreasonable for UML to recommend that Mr and Mrs M apply with that lender, given that they had received a positive decision in principle.

With regard to the credit searches, our investigator noted that Mr and Mrs M had already raised a complaint with the second lender and received its response.

In conclusion, our investigator said that he's not found that UML had done anything wrong. And, if it had, he would likely have concluded that the action it had already taken – the offer of the broker fee refund – was sufficient redress.

Mr and Mrs M didn't agree. They said the broker is paid a fee to correctly research the lenders' criteria and to fully understand the case before proceeding with fees payable by the client. So, the complaint has been referred to me for 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.

To decide Mr and Mrs M's complaint I've thought about whether UML's actions in relation to the failed mortgage applications were reasonable in all the circumstances. In particular, I've thought about whether UML should have recommended the lenders it did, given what it knew about Mr and Mrs M's financial circumstances.

The lenders recommended

Before UML made the recommendations in question it had reviewed Mr and Mrs M circumstances, seen up to date credit files and been assured that one entry was in error and was being corrected. It also knew that Mr and Mrs M had made a successful mortgage application – one where an offer was received from a lender – as recently as 2019. From the credit files, it could see that there was historic adverse credit but none in the last 12 months aside from the entry in the process of being corrected.

I would expect a broker to have general knowledge about the requirements of the lenders available to it. However, I wouldn't expect a broker to be able to have direct contact with a lender's underwriter. Instead I'd expect a broker to apply for a decision in principle from a lender before proceeding to a full application.

Our investigator explained what information UML would have had access to in relation to both lenders' criteria. I would add to this that I would expect UML to have overlaid this information with their own experience of dealing with those lenders. So, where Mr and Mrs M say they think the broker is paid a fee to correctly research the lenders' criteria and to fully understand the case, I agree. But I think the broker's knowledge will always be limited by the accuracy of the information provided by the prospective borrower and the knowledge made available by the lender about its criteria.

I've seen that, for both lenders, UML obtained agreements in principle. It had received Mr and Mrs M's reassurance that the credit file entry it may have had doubts about was being corrected. UML also knew that Mr and Mrs M had a mortgage application agreed within the last 12 months. And their circumstances were not outside of the known criteria of the lenders recommended. Ultimately, it is for the lender's underwriter to decide whether it should accept a mortgage application. And I wouldn't expect a broker to have the same level of knowledge of how the lender might choose to apply that criteria in individual circumstances. So, I think it was reasonable for UML to recommend Mr and Mrs M make full applications to the lenders they did in 2020, given what it knew then.

The credit searches

UML has explained that it triggered an additional search when keying-in Mr and Mrs M's application. It's difficult to know what actually happened in that regard. UML says it needed to correct a technical error message and the search was triggered as a result.

Based on its knowledge of the second lender – that reversing the order of the borrowers may result in success – it caused a further search by doing so. I think it was reasonable to have keyed the application again in those circumstances and I think it's likely Mr and Mrs M would have been pleased if it had been successful.

In any event, I think – in requesting that those credit searches were removed by the second lender – UML acted fairly. UML has provided emails showing that it made this request and had chased the second lender on that by the end of October 2020. I know the issue went on longer than that and, in error, the second lender triggered another credit search in May 2021. But I've also seen that Mr and Mrs M made a complaint to the second lender which resulted in the second lender compensating them for their inconvenience and the cost of credit reference agency subscription over the corresponding period.

Overall, I don't think it was unreasonable for UML to make the recommendations it did, given what it could have known about all the relevant circumstances at the time. I haven't seen that it acted without sufficient care with regard to the credit searches that were triggered as a result of its efforts to obtain a mortgage for Mr and Mrs M. It refunded its fee to Mr and Mrs M despite previously obtaining a mortgage for them, meaning it received no remuneration for all the work it carried out on Mr and Mrs M's behalf. And it made efforts to

have the additional credit searches removed from Mr and Mrs M's credit files. So, while I don't think it has acted unreasonably, I think it has made fair efforts to redress the errors Mr and Mrs M believe it made

My final decision

My final decision is I don't uphold Mr and Mrs M's complaint about UK Moneyman Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M and Mrs M to accept or reject my decision before 21 December 2021.

Gavin Cook
Ombudsman