

The complaint

Mr and Mrs R complain that Leeds Building Society unfairly refused them a mortgage and caused unreasonable delays in the application process.

What happened

Mr and Mrs R owned property in London but then applied to buy a property in the North West in March 2020. The property in London was valued at £425,000 but the property in the North West was valued at £65,000. Mr and Mrs R had moved into new jobs at the end of 2019. They wanted to buy the property with a mortgage of £55,250 and a deposit of £9,750 provided by their family. Mr and Mrs R had already missed out on a previous potential purchase and complain that Leeds put them through further unnecessary identity checks. Leeds was unhappy with the application and refused it.

Our investigator recommended that this complaint should be upheld. He felt that Leeds could have gained a greater understanding of the situation before coming to their decision. So, he felt that Leeds should refund the valuation fee and remove any information contained on external databases. Leeds disagreed and asked for a review.

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.

Leeds are commercial lenders and don't have to accept every application for a loan and indeed made that clear to Mr and Mrs R by asking them to sign a declaration confirming they realised that the Society wasn't obliged to make a mortgage offer. It seems that Mr and Mrs R owned two properties in the London area and applied for a mortgage in the North West. The application is somewhat unusual in that most customers tend to purchase their home at a higher price than their existing property to go up the property ladder, but the reverse seems to have been happening here. Indeed, there was a substantial difference between the value of the property they already owned and the price of the house they intended buying.

Secondly, I understand that Mr and Mrs R had jobs based in the south and proposed working from home in the north and giving that these jobs were recent and before the Coronavirus Pandemic, this would have been unusual. So, I can understand that the application was one that didn't suit Leeds's risk appetite and of course it's a matter for Leeds to decide in what circumstances and to whom it would lend money.

The issue that our investigator raised and that I have considered is the thoroughness of Leeds process and whether it was fair to Mr and Mrs R. I've given a great consideration to the file I received from Leeds but there does appear to be areas where I would have concerns about the process. I can understand that Leeds would have an issue about whether Mr and Mrs R would continue to reside in London or the North West and could have tested this by asking Mr and Mrs R for a notice of intention to reside but resisted doing that. From reading the file I believe that at that stage the relationship between Leeds Mr and Mrs R wasn't the best after earlier issues with getting proof of identification from Mr and Mrs R. It

seems that Leeds didn't want to test the relationship further by pushing for such a notice. The other issue is one of a gifted deposit which I know that Leeds were concerned about but there is nothing on the file I have seen to confirm the basis of that concern.

So, whilst I understand that Leeds was unhappy with the application for reasonable reasons - the transfer to the North West after Mr and Mrs R getting recent jobs in London and the purchasing of a residence substantially below the value of their existing residence – and that it may be that the application was inevitably doomed. But, perhaps because of that I'm not on balance convinced that the process was entirely thorough as, for example, the requirement for a notice to reside was not pursued and I can't confirm from the file justification for Leeds's concerns about the deposit.

Each complaint before us must be judged on its particular facts. I accept that Leeds had reasonable grounds to refuse the application and I don't accept that there was unreasonable delay in processing the application or that Leeds placed an unreasonable burden on Mr and Mrs R in relation to producing confirmation of identity. My concern is with the thoroughness of the process and whether, given that, it would be appropriate for Leeds to share its concerns about the application with any outside agency.

Leeds indeed says that once it had made the decision not to lend that it didn't investigate the matter further and wouldn't conduct additional checks on an application it had no intention of lending on. I understand that if Leeds has concerns about an application that it may refer those to an external agency. But this would seem to require an investigation that Leeds doesn't appear to have conducted. I don't believe from the evidence I've seen and after considering Leeds submissions that this would be an appropriate case for Leeds to refer their concerns to an outside agency and so, on balance I uphold this complaint. I believe that a fair solution is the one suggested by our investigator namely for Leeds to refund the valuation fee of £230 to reflect compensation for the distress and inconvenience suffered by Mr and Mrs R and to withdraw any entries it made on any external base in respect of the application.

Putting things right

Leeds Building Society should refund the valuation fee of £230 and remove any entries it made about this application on any external database.

My final decision

My decision is that I uphold this complaint in part.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R and Mr R to accept or reject my decision before 30 January 2022.

Gerard McManus
Ombudsman