

The complaint

Mr R and Miss S complain that HSBC UK Bank Plc trading as first direct (first direct) were slow to process their mortgage application.

What happened

Mr R and Miss S had a mortgage with first direct. They wanted to move to a new house and needed to borrow another £100,000, resulting in total borrowing of £341,500. On 13 July 2020, first direct sent an Agreement in Principle (AIP) for £341,000. On 27 August 2020, first direct sent to Mr R and Miss S a link to upload the necessary documents to support the application. Following receipt of these, a mortgage appointment took place on 17 September 2020, and a mortgage illustration was sent out the same day. On 30 September 2020, a mortgage offer was sent to Mr R and Miss S for a mortgage of £341,500. This included the new mortgage of £100,000 at a fixed rate of 1.94%, fixed for five years. The booking fee was £495. But, on 11 September 2020, first direct had changed their fixed rates. The previous five-year fixed rate was 1.69%, with a booking fee of £495.

Mr R and Miss S complained. They said the delays in processing their mortgage application weren't acceptable. They said first direct didn't need to ask for Miss S' bank statements - and as a result, they now had to pay a higher interest rate than they should have. They said this cost at least £600 a year. They asked for the refund of the booking fee of £495.

First direct said the AIP sent on 13 July 2020 was subject to the receipt of supporting documents, and on 1 September 2020, they received a copy of Mr R's payslip and bank statement. On 3 September 2020, they received payslips for Miss S, together with a letter from her employers confirming her salary. On 9 September 2020, they contacted Mr R and Miss S to confirm the impact of the COVID 19 pandemic on their situation. But this was a mistake - as they'd already received confirmation of Miss S' post-pandemic salary. The mortgage was agreed by first direct's underwriters on 9 September 2020. A mortgage appointment was made for 14 October 2020, but this was then brought forward to 17 September 2020. First direct said it was unfortunate that the interest rate had increased, but their rates can change at any time. They apologised for the error in relation to the documents they requested regarding the pandemic, and paid compensation of £100 for that.

Mr R and Miss S brought their complaint to us. Our investigator looked at what happened between the AIP on 13 July 2020 and the mortgage appointment on 17 September 2020. He couldn't see why the link for Mr R and Miss S to upload the documents wasn't sent to them earlier than it was. If it had been, then it was possible that the mortgage appointment could've taken place earlier. But also, interest rates fluctuate - so they could've gone down as well as up. Overall, he thought first direct did cause a delay, but he couldn't be certain as to the impact of that - they may have been able to get an earlier appointment and they could've got a lower rate, but he couldn't be sure. He thought that first direct should pay a further £200 compensation.

First direct agreed with this, but Mr R and Miss S didn't - and asked that their complaint be looked at by an ombudsman.

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.

The crux of this complaint is – why was there a delay between the issue of the AIP on 13 July 2020 and the mortgage appointment on 17 September 2020; and did this cause the higher fixed rate to be applied to Mr R and Miss S' mortgage.

There was a long period between the AIP on 13 July 2020 and when the link was sent to ask for the uploading of documents on 27 August 2020 – so I've firstly looked at what happened during that period.

Period between 13 July 2020 and 27 August 2020: First direct told us they sent a link to Mr R and Miss S when they issued the AIP on 13 July 2020 – but I couldn't see any evidence in their records of this. So, I looked into this further. I listened to the call between Mr R and first direct on 13 July 2020. This was an initial call – whereby an assessment of affordability was carried out. Based on what Mr R told first direct, they issued an AIP for £341,000. Mr R and Miss S hadn't sold their house at that time, nor found a new property. On the call, first direct's rep said she would send the AIP to Mr R, together with a link for him to upload his documents (payslips etc) – but she told him not to send anything in until they'd found a new property. She said that even if they did, the documents wouldn't be looked at – as until they'd found a new house, nothing could be progressed anyway. Mr R showed us the AIP document – and the email from first direct includes the link. But given what first direct told Mr R on the call, I don't think any documents were then uploaded. And even if they had been, I wouldn't have expected first direct to have progressed the mortgage at that stage – because there wasn't a mortgage application to consider.

Mr R then called first direct on 27 July 2020 and I listened to that call also. Mr R was asking about how to calculate the new mortgage based on several scenarios, including the possibility of porting the existing mortgage and having the Early Repayment Charge refunded. Mr R stated that they hadn't found a new property. First direct's call handler told Mr R that once they'd found a new property – then the supporting documents could be uploaded; and an appointment then arranged with a mortgage advisor. Mr R accepted that – he didn't, for example, say that he'd sent in the documents already. So – again, because a new house hadn't been found, I wouldn't have expected first direct to have progressed the mortgage any further at this stage.

Mr R called first direct again on 27 August 2020. He advised them that they'd found a new property and their offer had been accepted. First direct's call handler told Mr R that an appointment with a mortgage adviser would then be arranged. Mr R asked how he could send in supporting documents such as payslips – and first direct said they'd send him the link to upload them. I've seen in first direct's records that they sent the link on 27 August 2020. So – it doesn't appear that Mr R had sent in any documents before that time. First direct couldn't have been expected to have progressed anything until 27 August 2020 – not least, because the amount of the mortgage wasn't known until a new property had been found.

Period between 27 August 2020 and 9 September 2020: after 27 August 2020, I can see that the documents were provided quickly. By 7 September 2020 – all the necessary documents had been received by first direct. I can see that first direct's underwriters raised a question about the Miss S' bank statements, and this was resolved by 9 September 2020. They then asked another question about whether Mr R and Miss S' salaries were affected by reduced hours due to the pandemic – but this was an error, because they'd already had confirmation of the post-pandemic salaries. First direct apologised for that and paid

compensation of £100. But also – this was resolved on the same day - 9 September 2020. I think the questions asked by first direct about the documents at this time were valid and were those we'd normally see – confirmation of salaries, employment details and conduct of the bank accounts. And – for this to be completed in just under two weeks was reasonable. On 9 September 2020, first direct's underwriters approved the mortgage.

Period between 9 September 2020 and 17 September 2020: Mr R and Miss S have said that it then took too long to arrange a mortgage appointment after that. They were offered a date of 10 October 2020 – which was a long way away, but first direct brought that forward to 17 September 2020. So – that was within eight days of the underwriters' approval – which I think was reasonable. On that day, the mortgage illustration was sent out, and the mortgage offer was sent on 30 September 2020.

And so – I think what happened in the period between 27 August 2020 to 17 September 2020, and the checks that took place – all look reasonable. It was during that time that first direct's rates went up – on 11 September 2020.

I accept that Mr R and Miss S were disappointed to learn that the interest rate increased – but market rates do move, and we can't hold first direct responsible for that. And based on what I've seen, I don't think first direct caused unreasonable delays in the processing of Mr R and Miss S' mortgage - which might have led to them paying a higher interest rate.

Our investigator felt that first direct should pay additional compensation of £200. That was because there were some small delays. As I've said, I don't think these were excessive to the extent that they caused a higher interest rate to be paid. But equally, I can see that these caused some frustration and therefore I agree that a payment of £200 is appropriate for that.

My final decision

I uphold this complaint. HSBC UK Bank Plc trading as first direct must:

- Pay compensation of £200 for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R and Miss S to accept or reject my decision before 10 May 2022.

Martin Lord
Ombudsman